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IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947, AS AMENDED BY TRANSPORT ACT, 1953

IN THE MATTER OF THE APPLICATION OF THE
BRITISH TRANSPORT COMMISSION (1960 No. 2)

FOR THE ALTERATION OF THE
BRITISH TRANSPORT COMMISSION (PASSENGER)
CHARGES SCHEME, 1959

AND

IN THE MATTER OF THE APPLICATION OF THE
BRITISH TRANSPORT COMMISSION (1960 No. 5)

FOR THE ALTERATION OF THE
BRITISH TRANSPORT COMMISSION (PASSENGER)
CHARGES SCHEME, 1959

MONDAY, 13th FEBRUARY, 1961

FOURTH DAY



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PROCEEDINGS OF THE TRANSPORT TRIBUNAL

MONDAY, 13th FEBRUARY, 1961

PRESENT:

SIR HUBERT HULL, C.B.E. (*President*)

J. C. POOLE, Esq., C.B.E., M.C.

H. H. PHILLIPS, Esq., O.B.E.

Mr. E. STEWART FAY, Q.C., and Mr. T. R. CRAWFORD (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. R. W. GOFF, Q.C., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council, Middlesex County Council and the Surrey County Council.

Mr. LEON MACLAREN (instructed by Mr. G. E. Smith) appeared on behalf of the County Borough Councils of West Ham, East Ham and Croydon, and the Borough Councils of Walthamstow and Leyton.

Mr. S. H. NOAKES (instructed by Mr. W. O. Dodd) appeared on behalf of the County Borough Councils of Brighton, Eastbourne and Hastings.

Mr. G. B. H. CURRIE, M.P. (instructed by Mr. W. P. W. Elwell) appeared on behalf of the Folkstone and Kent Coast Railway Travellers' Association and the North East Kent Railway Travellers' Association.

Mr. E. R. FARR, Town Clerk, appeared on behalf of Barking Borough Council and the South Essex Traffic Advisory Committee.

Mr. PHILIP M. VINE, Deputy Town Clerk, appeared on behalf of the County Borough Council of Southend-on-Sea.

Mr. C. W. WINNICOTT, represented the Bishop's Stortford Season Ticket Holders' Association.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

Mr. CHARLES SARSON, represented the Chelmsford Railway Users Association.

(*Mr. Fay*): May I say a word about the additional information which is now available, Sir? You asked at page 37 of the transcript for copies of tables such as have been put in in the past, showing week by week a comparison of the budget figures for London Transport with the receipts; two tables are now, I hope, in the hands of the Tribunal, and they have also been circulated to those concerned in the London case. We have taken the liberty of calling them BH 30, in respect of the year 1960, and BH 31 in respect of the year 1961.

The second matter is that at the end of the last day on which we met, my learned friend Mr. MacLaren asked for the usual appendices and further information arising out of some of Mr. Harbour's exhibits. We were a little sceptical as to the necessity of having them in this case, but we have in fact provided them to the London County Council as asked. We have not, however, circulated them, but have suggested to the London County Council that

in so far as they wish to use them, it will be for them to put them in. We have not sought to burden the transcript with these various exhibits, many of which, according to our experience in the past, are never looked at.

The third matter is that my learned friend Mr. Noakes indicated that those instructing him would be asking for certain information to be made available; that is on page 31 of the transcript. That information was duly asked for, and it has now been given to my friend in tabular form.

I shall now recall Mr. Winchester for cross-examination.

(*President*): Before you do that, Mr. Fay, we regret that by an oversight the questions in the printed notes have not been numbered; they will be in future.

(*Mr. Fay*): If you please, Sir.

MR. WISHART INGRAM WINCHESTER, recalled.

Cross-examined by Mr. GOFF.

1. Mr. Winchester, have you the transcript with you?—I have.

2. Will you look at Day 2, page 18, in the first column, a little below the middle of the page; you were asked: "Having done that, what is the result?" and you answered: "The gross receipts are shown on Mr. Harbour's exhibit BH 28". Do you see that?—Yes.

3. Then: "(Q) That is 'Budget 1961'? (A) Yes; they are shown there at £32,895,000, or say, £32.9m.". Then the next question is: "That is at the end of column 2?" and the answer is: "Yes. As you explained just after lunch, that is made up of a figure, without any increase in charges, of £31m, plus £1.9m. for the increase from the May, 1960 increases in fares". Do you arrive at the £31m. by subtracting £1.9m. from the £32.9m., or have you derived the £31m. from somewhere?—I have relied for these figures on Mr. Harbour's tables and his evidence, but I think it is fair to add that probably the £32.9m. was arrived at first, and £1.9m. independently, and the £31m. is a residual figure; but I am not sure.

4. But you cannot point out in any of the tables where that £31m. occurs?—No, it does not appear in any of the tables so far as I am aware.

5. So that the £31m., as being the revenue without any increases in charges, would be a wrong figure if the £1.9m. was a wrong figure; you start with the £32m. which you get out of the tables, deduct the £1.9m. and you merely get a residual figure?—Yes.

6. Where did you get the £1.9m. from?—The £1.9m. is the estimate that has been made of the yield expected from the various increases in fares.

7. Yes, but I want to know about it. These were not your figures; they were largely taken from Mr. Harbour?—Yes.

8. £1.9m. is not your estimate?—No.

9. Did you get it out of Mr. Harbour's tables?—I got it from Mr. Harbour, but from what particular table or what particular piece of evidence it was taken I am afraid I do not remember.

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[Continued]

10. That is merely a figure; do you say it is the right one?—Yes.

11. But if we want to check whether it is right, we should ask Mr. Harbourn about that?—Yes.

12. Would you agree that Mr. Harbourn's estimate of receipts on which he worked in Exhibit BH 28 — you remember that table, do you not?—Yes.

13. It is in Day 3, at page 56, his estimates of yields at the various stages. Would you agree that they are conservative estimates?—I have not really applied my mind to it. I am aware of the figures, and I have looked at them; they did not strike me on those estimates of yield as being particularly conservative.

14. You said first of all that you had not applied your mind to them; now you say that they did not strike you as being particularly conservative. Have you thought about them at all?—I looked at the figures, and when I first saw them they did not particularly surprise me.

15. Are you Director of Budgets of the whole Commission?—Yes.

16. Is it part of your duty to check Mr. Harbourn's work?—No. I have seen the estimates of yield for the railways as a whole; this London Lines exercise is a special exercise, of course, and it did not come to me in my other responsibility of examining the budget.

17. Are you Director of Budgets for the whole Commission; do you budget for British Railways as a whole, including London Lines?—London Lines in isolation is something which is only of interest for the purpose of these inquiries, and this figure is arrived at by a breakdown of an earlier global table for British Railways as a whole.

18. But so far as the Railways are concerned, you budget for British Railways as a whole?—In the first instance, yes.

19. And, if necessary, you apportion something to London Lines?—Yes.

20. Are you Director of Budgets as far as London Transport is concerned as well?—Yes.

21. And in fact you relied upon Mr. Harbourn's tables and not your own. As Director of Budgets, are your duties supervisory, or how far are you responsible for budgets?—I am responsible for examining the budgets supplied by the various Divisions, and reporting to the Commission on them.

22. So presumably you would examine Mr. Harbourn's figures rather carefully?—Not in respect of London Lines in isolation; they do not come into my responsibility from that point of view.

23. Did you examine his figures for London Transport, roads and coaches?—Yes, but not in detail. I would not say that I had examined every figure, or examined the thing in great detail; London Transport has a very good tradition for reasonable estimating in these matters, and one can rely on that.

24. That is what I am rather suggesting; in budgeting for yields from increases the policy would be to budget on a conservative basis, would it not?—No. The policy is to budget on as realistic a basis as possible, neither conservative nor whatever is the opposite of conservative.

(Mr. Goff): Liberal, presumably.

(President): It used to be, Mr. Goff!

25. (Mr. Goff) (to the Witness): You wanted to be satisfied, when you are putting up fares, that you would in fact be able to realise the estimated yield?—Oh, yes, or something reasonably near it.

26. In budgeting you would tend, would you not, to under-estimate the likely yield rather than to over-estimate it?—No, that is not the general philosophy, or general instruction. The general estimation of all these, when they come to us, is that they should be as near as possible.

27. Or as near as you can judge; you think the budget cannot give you the increase in fares which is estimated in the table?—I have not examined the estimates in detail, but, as I say, I should expect them to be made as near as

possible to get the most likely answer and that they should not be either conservative or liberal.

28. On page 31, at the top of the page, Mr. Dickson was giving evidence, and I want to refer you to the first question in the first column on that page. Mr. Dickson is asked: "Can you say whether or not the yield has been obtained?" and the answer is: "It is extremely difficult to answer these questions, because there are many factors at work. For the nine months to September 1960, the season ticket receipts exceeded the estimated proportion of the budget forecast by approximately £200,000; that is after allowing for an appropriate portion of the yield from the May increases". Then he is asked: "And does that indicate that the yield has probably been obtained?" and he said: "Yes, but we must make allowances for transfers from other categories of fares, which is always a difficult point to evaluate; but the indications are that the yield has been obtained". That would rather be an indication that the yield was more than obtained, would it not?—Ignoring the reference to the complication of transfer between categories, it might either be that the yield had been more than expected, or that the underlying trend was better than expected; you cannot say from any figures of this kind precisely how much is due to fares increases, or how much to other factors.

29. But it might be that the yield was more than you would have expected?—Yes.

30. And you rather hope it would be?—Yes, certainly; I am always hopeful.

31. There is a great deal of development going on in suburban areas and in semi-suburban areas round London, is there not?—Do you mean in housing?

32. Yes.—Indeed yes.

33. Is that not likely to increase the revenue from London Lines?—I would think so, yes; it would be a helpful factor.

34. And it would do that, without any increase in fares at all?—Yes.

35. In your evidence you worked on a receipts and expenses basis for London Lines, did you not?—Yes.

36. Just tell me this: Where did you get your receipts from; were they taken from Mr. Harbourn's tables or were they your own work?—No; that was taken from Mr. Harbourn.

37. Do you think sufficient has been allowed for that trend to increase revenue by the development round London?—Mr. Harbourn has explained the other factors at work.

38. What other factors do you mean?—The general trend of trade and employment in industry.

39. He said they were up in 1960 at the time of the budgeting in November, but he thought that there were some signs of a drop in December?—Yes.

40. Do you think that might well be a merely temporary phase?—Yes.

41. Subject to that, the indication is that the yield should go up without any increase, because of development?—That has been the trend, yes.

42. Do you think that has been sufficiently allowed for in considering whether you should put forward proposals for a third increase in so short a time?—May I remind you of what I said in putting these figures forward in the first instance? It was that these are only a very rough check on the fares, which were settled first in relation to London Transport and I said that if, for example, you thought my estimates were £1.0m. out either in receipts or expenses, I would not be in the least disturbed.

43. Are you saying that you are merely proposing to increase fares on London Lines as a measure of assimilation irrespective of the need?—No; it is subject to the broad test that the result is reasonable.

44. But you said that you would not be disturbed if they were £1.0m. out?—No; they are not exact to that extent.

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[Continued]

45. Is there any need to increase fares on London Lines at all?—Yes — on British Railways considerably.

46. Yes, British Railways as a whole?—Yes.

47. Have you got BH 28, which is on page 56 of Day Three?—Yes.

48. Columns 2, 3 and 4 deal with the expected yield of the increases at what has been described as Stages 2 and 3?—Yes.

49. They are the increases actually authorised by the second emergency Order, that is Stage 2 described in this schedule as "A", and the increases proposed by the present Application over and above that, which is Stage 3 indicated at "B"?—Yes.

50. If you look at line 3 dealing with season-ticket rates, the proposal to increase season-ticket rates for London Lines, is that merely a measure of assimilation?—Yes.

51. The figure at Stage "B" is gross £770,000, which is not a very large figure, is it—I do not know what you mean by "large". Absolute largeness is not really relevant.

52. Relative largeness. Considering the size of the undertaking and the figures in which you deal, £770,000 is not a very large figure, is it—It is not a figure to be ignored. If you regarded every figure as not very large, nobody would ever have their fares put up at all.

53. Of course, if you regarded every figure as not very large that would be absurd, because some obviously would be very large. What I am suggesting to you is that having regard to the size of the undertaking and the figures with which we are dealing in this sort of Inquiry, £770,000 is not, relatively speaking, a large item?—It is the largest item in column 3 on this table.

54. We are dealing only with London Lines there, are we not?—Yes.

55. But there are much larger figures, of course, are there not, for London Transport and elsewhere.—There are larger figures, yes.

56. The discounted yield is £280,000—Yes.

57. That leaves, does it not, a loss of 3 per cent. of the total custom?—I take it from you.

58. It does not sound drastically wrong, does it?—There is always a loss of custom, especially at the early stages of a fares increase.

59. As a matter of mathematics, the suggestion I put to you that there is a 3 per cent. loss on the total custom does not seem, on the face of it, extravagantly wrong?—No.

(President): What do you mean by "total custom"? which figure is the total custom figure?

(Mr. Goff): It is the £15m. figure in column 2, Sir.

60. (President): You have agreed, as a mathematician, that £280,000 is 3 per cent. of £15m.?—No; it is the difference between £770,000 and £280,000.

61. £490,000 is 3 per cent.?—Yes.

62. (Mr. Goff): This constant increase in fares causes a lot of opposition, does it not?—Yes.

63. It is not well received?—No.

64. It also causes a loss of custom, does it not?—Yes.

65. Do you think it was a sound business move, merely as a matter of assimilation, to increase London Lines' season tickets when you only get a gross yield of £770,000 and a net yield of £280,000?—We are getting £280,000 out of the operation, so it is bound to be a sound business move.

66. Is it your idea that, so long as you get extra money, it is a sound move whatever effect it has upon your goodwill?—No. One must look at goodwill and one must look at the long-term effect. £280,000 is the expectation in the early stages from this increase. What the further long-term effect is, I do not know.

67. I am suggesting to you that having regard to the size of the amount you are going to get and the known opposition to this type of thing, it was not a sound business move to propose this increase merely as a matter of assimilation, this is a thing which would have been better left out?—It is not merely as a matter of assimilation. We need the money.

68. But you said it was. You said you did not mind if your estimate was £1m. out, the London Lines' increase was merely a matter of assimilation?—I said "primarily", I think. If not, may I correct it now?

69. You did say "merely", but you want to resile from that, do you?—If I did I apologise. I certainly did not mean "merely", I meant primarily, in the first instance.

70. Have you really considered the question of the London Lines' increases in connection with anything other than assimilation?—The general need for money, both on London Lines and on British Railways as a whole.

71. Do you think this is a good way of getting it, by increasing the season-ticket rates which produce the comparatively small sum? Do you think that is a good thing to do as a business proposition?—Indeed I do. I think the season-ticket rates are, in general, much too low in relation to the other categories of fares.

72. Why do you say that?—They are about half-price; rather more than half-price, perhaps, on average for London Lines, but certainly half at the long distances.

73. Do you belong to the school of thought which objects to the season-ticket custom and would rather see it done away with altogether?—No; indeed, I think there ought to be a discount. I think it is sensible that they should have some discount.

74. London Lines' season tickets were increased under the first Order made in April, 1960, were they?—I think that is so, yes.

75. That is Stage 1; that increased the maximum?—Yes.

76. Some of the fares at that time were sub-standard compared with the original 1959 Scheme?—On London Lines? I should have thought very few, but I am not an expert on it.

77. At any rate, when the maximum was increased by the first Order at Stage 1 all the season-ticket rates were, in fact, brought up to the new maximum, were they not?—I take it from you.

78. Do you not know these things?—Not in detail, no.

79. I would have thought you would know much more about them than I do—It is not my business. You are cross-examining me on other people's evidence.

80. I am cross-examining you on the affairs of the British Transport Commission—I know. I have said I think there are very few by way of sub-standard fares on London Lines. If you say there are some, I will accept it from you.

81. As Director of budgets you would surely be concerned to know whether the maximum rates were being charged, or not?—They are, by and large, being charged. The amount involved in any under-charging there may be is quite trifling as far as I am concerned.

82. Stage 1 did give an increase in the season-ticket rate; that is all I want to get at.—Yes.

83. And the powers taken at Stage 1 were, in fact, used?—Yes.

84. So there was an increase at Stage 1?—Yes.

85. At Stage 2 we get the first differentiation between London Lines and other lines, do we not?—The other lines of British Railways, yes.

86. Stage 2 therefore provided higher maximum season-ticket fares again for London Lines?—Yes.

87. Those powers were used, were they?—Yes.

88. So that is two increases?—Yes.

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[Continued]

89. Now we are proposing a third increase; that is in a space of — the Scheme came into force in August, 1959, did it not?—Yes.

90. So we are now in February, 1961, and that is about 16 or 17 months?—It was rather more than that before the Scheme could be put into force.

91. About a year and a half?—Of that kind, yes.

92. This is the third increase proposed; two actually put into operation and a third now proposed?—Yes.

93. Do you think the third one is warranted as a matter of business policy, having regard to the injury to goodwill, when you see from BH 28 the comparatively small effect it has on increased yield?—I doubt this injury to goodwill. It is, I think, increasingly recognised that we have a need to put up our fares sufficiently, as far as reasonable, in order to assist our financial position.

94. Is it not well known that there is very considerable objection to these what may be described as constant increases in fares?—They are fairly small increases in fares, these three. In total I think they are 20 per cent.

95. Do you mind answering the question. Is it not well known that there is, in fact, serious complaint about these constant increases?—There are always complaints about increases in fares.

96. And it does, in fact, lose custom?—Yes.

97. And you allow for that in your discount?—Yes.

98. Would it surprise you to know that the Coldsden West Residents' Association wrote to the Purley Council complaining about the proposed further increases of season-ticket rates?—No, it is a well-established practice.

99. They said: "Every increase tends to drive people to consider alternative means of transport which increases traffic on already overcrowded roads and is an uneconomic use of the highway". Do you think they are right in saying that?—I doubt if it is an important factor in inducing people to buy cars, and when they have got a car they will try and travel, anyway. The relative costs of travelling by car and travelling by rail are largely irrelevant.

100. It is the fact that more people are using private cars than used to do so; the railway is losing custom to private cars?—More people are owning private cars.

101. That is a tendency you would like to check?—I doubt very much if increases in fares of this character have any perceptible effect.

102. Do you mind answering my question. Is it a tendency which you would like to check?—I am not Canute, I am not trying to keep the tide back.

103. I did not say it was a tendency you could prevent, I said it is one you would like to check?—Oh, yes. May I just say this: I say "Oh, yes" with some confidence as if it was a meaningful question, but this is not something that can be done.

104. At all events, it would be unwise to increase the tendency, would it not, if you can avoid it?—Unwise from whose point of view?

105. Yours.—Yes, it would be unwise unless the offsetting advantages are greater than the possible disadvantages.

106. Indeed, yes. This increase in the London Lines' season tickets is calculated to increase that tendency, is it not?—I would think not. I think the effect of season-ticket increases in inducing or encouraging people to buy motor-cars is quite trifling.

107. You do? So you do not think that would have a serious effect in increasing that tendency. If it would, then this increase would be unwise, would it not?—Not necessarily. From our point of view we are going to make money out of it.

108. But the money you are going to make would not be sufficient to offset the disadvantages?—What is the disadvantage from our point of view?

109. If you find people are not going by rail and you are just losing custom.—If we will make money out of them, it cannot be to our disadvantage.

110. But you are not making money if you lose too many passengers, are you? You make money by increasing the fares, but you lose by losing customers?—Yes; but we have estimated here that we shall make £280,000 from these increases.

111. You think it is a sufficient return for this particular move, notwithstanding any effect it may have on your goodwill?—Yes.

112. On page 18 of the Second Day, towards the bottom of column 1, do you see this question: "So that is the anticipated receipts in a future year, based on the 1961 budget and assuming the full implementation of the proposals?" (A) Yes. This compares with working expenses. I start from the figure of £29m. shown on WW 11 at page 21 of the 1958 proceedings, and I bring that up to date in respect of changes in wage rates and price levels." Has the Tribunal the transcript of the 1959 proceedings?

(President): Yes, I am afraid so.

113. (Mr. Goff): If I may respectfully say so, I share the expression of regret, Sir. It is on page 21 of the previous transcript, Exhibit WW 11. The passenger receipts at present charges were £28m., and then there were working expenses £14m. for local trains and £2m. for contribution to through trains, then certain adjustments, and one arrived at the figure of £29m. With that, do you know, calculated on the actual audited figures for 1957, or was it done, as for this Inquiry, on what are described as actual estimated figures? This Inquiry was taking place, at this stage, on the 18th December, 1958, so it was the end of the year. Do you know whether Exhibit WW 11 was based on the audited accounts for 1957 or the actual estimated figures for 1958?—I do not think it was based on audited accounts at all. The figures for London Lines have to be specially calculated, specially estimated, for the purpose of these Inquiries, and these calculations were based on special calculations made reflecting the price levels at the time they were made and the general level of operation.

114. The apportionment was that you were apportioning the figures for British Railways, were you not? It was not a random guess?—Oh, no; but we were not looking at the total figures for British Railways and then trying to apportion out a bit for London Lines. We were looking at the actual detailed costings for individual depots and services and adding them up.

115. So you were making that estimate, as far as you could, as if London Lines were a separate undertaking?—Yes.

116. That was based on some figures of some description, was it not?—Yes.

117. That is what I am getting at. Was it based upon audited figures for the previous year, or on actual figures for the year which was about to end? The answer may be that you do not know, but if you do I would like to be told.—May I say this: I will check back on the actual basis from which we started, the date of it, but whatever it may have been, it would have been adjusted, if necessary, to bring it to the price levels current at this time.

(Mr. Fay): It is pages 59 and 60 of the transcript of the last Inquiry, when Mr. Richards explained the make-up of these figures.

(Mr. Goff): I am much obliged to my friend.

(President): It begins at Q 289, Mr. Goff.

118. (Mr. Goff): They are taken from the Commission's published accounts; that is the answer to my question, is it—No. They are taken from some of the detailed accountings and costings which underline these accounts.

119. So they were taken from accountings and costings in your offices?—In the offices of the Regions, yes.

120. On page 18, in the middle of the column, you were being asked about receipts, and you then said, in the second half of your answer: "Then I have also made an estimate of the working expenses, starting from the figure in the 1959 hearing and adjusting that for changes in wage rates and prices levels; without going

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[Continued]

into the details of the nature of the variations, I have just adjusted it purely for wage rates and price levels"?—Yes.

121. So that whereas WW 11 was compiled from the costings and accounts in your offices, your present estimate is not compiled in detail, you have merely adjusted WW 11 according to a general trend in wage rates and price levels?—For British Railways—the general experience of British Railways.

122. Would it not have been more accurate to have worked it out afresh, as was done in the case of WW 11?—This is an exercise that I have done from time to time in the past. It is a particularly difficult time to do it just now while services are changing all over the place. I was satisfied that by doing it the way in which I have done it I was not overstating the case. In my experience the reliance placed on London Lines' costings in the past did not make me feel it was a necessary and inevitable part of the case to be presented to-day in any meticulous detail taking months of working and calculation.

123. You say the reliance placed on London Lines in the past?—The reliance placed on any detail accuracy in these figures in the past, I think, has not been very great.

124. Reliance placed by whom?—By anybody at this hearing.

125. Are you suggesting WW 11 is not reliable?—Yes, it is a reasonable estimate. It is not an accurate calculation.

126. It is a reasonable one if it is not reliable?—Well, it is reliable within the margin of error inherent in the nature of the calculation.

127. If it is not reliable to start with and then you merely adjust it, are you not likely to get a result which is deteriorated still further and would be worse in comparison with what it would be if you made a new calculation?—It may be that by making a completely fresh calculation I could slightly have narrowed the margin of error inherent in that figure.

128. Are you sure it is "slightly"? May not your adjustment of something which starts inaccurate produce a substantially wrong result?—I think the mathematical consequences of what you are suggesting are quite trifling.

129. You said you had adjusted it without going into details of the nature of the variations, you have adjusted it purely for wage rates and price levels—Yes.

130. So it does not take account of any other factors which may be operating in 1959 and 1960 and not be operating now, does it?—Any change in those other factors, no.

131. It does not take into account the effect of economies?—No.

132. Or the effect of increased population in or around London?—That would not affect the expenses. I am only talking about working expenses.

133. Economies, of course, would affect working expenses?—Yes.

134. And those you have not taken into account—No.

135. So the figure you give now for working expenses is likely to be too high, is it?—Yes.

136. You say "Yes"?—Yes. I did explain this in my evidence before, I do not think it is anything new.

137. I will not waste time by inquiring about it. Are you sure you said in your evidence that your figure, not taking economies into account, was too high?—Yes. I think I said it was "probably" too high. Perhaps I can be more specific. If you look at the large question at the bottom of the second column on page 18.

138. You say you have not taken account of modernisation of certain services. "I found that too great a problem at that time of change to do it in any precise way. So far as the fruits of modernisation are increased receipts, these are taken account of in the estimate of traffic receipts. In so far as modernisation may affect the working expenses, it is not directly

reflected in the figures I have given. However, I think that in the Modernisation Schemes which particularly affect the London Area, there probably will be some reduction in working expenses despite the increase in volume of services, but I do not think the reduction of working expenses will be great, because any improvement in the costs per mile, or what have you of expenses, will be offset by the greater volume of service. That is part of the purpose of modernisation, to give a better service and to get better receipts. Also improvements in the economies of the service will be offset in these estimates I have been making, because the depreciation of the old rolling-stock on historic cost will be replaced by depreciation made on current replacement provision, which is three times as high. So that if I take into account the special two factors, I would not expect the reduction in working expenses to be spectacular, to be of any great importance." Are you agreeing that if you worked them out anew and took all the factors into account, the expenses would be less than the figure you have given?—Yes.

139. Appreciably less—Some hundreds of thousands of pounds.

140. Half a million pounds—I would think not; I would think it unlikely that it would be as much as that.

141. It might approach that figure—it might approach that figure. But I did go on to point out that any reduction in working expenses would be more than offset by the greater interest we would have to pay. May I just correct myself about the hundreds of thousands of pounds, perhaps as much as half a million pounds. I have been looking a little more at these figures since I gave evidence, and the figures I have got in mind are the improvements in working expenses, taking depreciation at common price levels. If you adjust to put the old figures on historic cost depreciation and the current figures on current prices—which is the appropriate way of looking at it in relation to WW 11—I feel pretty confident that it would not be as much as half a million pounds.

142. I want to get this clear. Allowing all factors every way, that is to say your saving by economies and modernisation and your increased expenses by being able to give a better service and the increased interest on capital, you agree that the result is likely to show a lower net figure for expenses than you allow?—No. If you bring depreciation into account—which is not brought into account at the expenses level, or brought into account at all in WW 11—and if you bring interest into account it will be the other way, the total costs will be greater.

143. Would it not have been better, in a serious Inquiry of this sort, to have worked the thing out afresh so that one could really get a picture instead of just adjusting WW 11?

(President): You know, Mr. Goff, if I may interrupt Mr. Winchester, behind this discussion there is the fact, which I have come to regard as inescapable, that it is impossible, whether you are dealing with London Lines or with British Railways as a whole, to get an accurate figure for working expenses if you mean the whole of the expenses, because one cannot disentangle the track from the signalling figures; at least, no one has yet suggested a way in which you can accurately do so, certainly not to me in the last nine years.

144. (Mr. Goff): With respect, I fully appreciate that what I am suggesting to the Witness is that when there are these difficulties it would be much better to work out a fresh calculation as at to-day rather than to adjust the previous ones; one would get a better result. (To the Witness): That is what I am suggesting to you, that a modern calculation instead of an adjustment of WW 11 would have been a fairer way to treat the Tribunal and the Objectors than the one you have adopted. Would you accept the criticism?—No.

145. So far as wage rates and prices are concerned, am I right in understanding that what you have done is to take the rises in the whole of the British Railways?—Yes.

146. You have ascertained a percentage and then applied the same percentage to the £29m., which is the figure in WW 11?—Yes.

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[Continued]

147. Would the same percentage necessarily apply to London Lines treated by themselves as applies to British Railways as a whole? — Not precisely, but I cannot imagine there would be any great difference.

148. Had you means of finding out what the real percentage increase as to London Railways alone was if you looked into your records?—I do not think so, without a very great deal of investigation and inquiry.

149. It could have been done?—Yes.

150. Might it have turned out to be substantially different, do you think, from the overall percentage?—I should be very surprised.

151. In your evidence I think you said you ought to have a reserve for London Lines, did you not?—Yes.

151a. That came, I think, to half a million pounds.

(Mr. Fay): I think it is £1m.

(President): It is the middle of the second column on page 18.

152. (Mr. Goff): I am much obliged. (To the Witness): "That gives you half a million pounds over and above available for reserve?", and you answered that that was so?—Yes.

153. So my recollection that it was half a million pounds was, in fact, right?—No, not if you read on.

154. "Do you regard that as in any way excessive?—No, I think it is less than adequate." I quite agree you said it ought to be more. On the figures it was going to work out at half a million pounds, but you thought that was not enough, it ought to be £1m?—At least £1m.

155. And you arrived at that, did you not, simply again by a proportion sum, that if it was right for London Transport to have £2½m., then, having regard to the comparable sizes of the undertaking, it was right for London Railways to have £1m?—Yes.

156. Would you agree that in general, when costs are rising and fares increases are driving away customers, you should keep reserves to a minimum?—That has been our bane throughout our existence; costs have always been rising and we have had no reserves.

157. It would not help you very much if you had reserves, would it, to meet rising costs?—If our fares are set at a level which would enable us to create reserves, it does help us to cushion the immediate effect of the net increase in costs.

158. Cushioning the immediate effect can have a worse effect on the public in the end, can it not?—What do you mean by a "worse effect"? They are only in total asked to pay the reasonable costs of the undertaking whether they pay it slightly later or slightly earlier.

159. What you mean by cushioning the effect is this: If you get rising costs, wage increases, and so forth, if you have got a reserve you may be able to stave off any increase in fares consequent upon a wage award for some while?—I was not thinking so much of staving it off, no, but of bearing the burden between the date we get the increase in costs and the date we get the consequential increase in fares.

160. So your reserve is not going to be used in any way to prevent the public having their fares increased, it is merely to be available to you as a stop-gap between the time you get the wage increase and the time you get an interim award?—I should think that was one of the uses of it.

161. You would not want a large reserve for that sort of purpose?—Not very large, no.

162. Of course, any reserve, to be sufficient to prevent wage increases causing rising fares, would have to be a very large reserve, would it not?—It all depends on what is going to happen to the currency.

163. I think Mr. Fay, when he was cross-examining Mr. Lawson in the 1959 Inquiry, put to him that if the reserve was going to be used to stabilise prices it would have to be pretty large. That will be found at Q.5470

on page 333: "If it is going to be used to stabilise prices, I suggest again it has to be a pretty big reserve", and the answer was: "You cannot do it, in my opinion. I think it would be a great mistake to try and stabilise prices by using a reserve to a large extent". Would you agree with that?—Oh, certainly, yes. All our experience has been that it is small help to stabilise prices.

164. Really, your desire to have a reserve is to have something in hand as a stop-gap if you get increases in wages between that time and the time when you can get an interim Order?—That is one of the minor reasons, but it is the reason which emerged from the way in which you put your original question.

165. You say that is a minor reason. What is the major reason?—The major reason is that we think that this business, like any other business, ought to be earning reserves, ought in particular to be earning reserves against the increased cost of replacing rolling-stock and assets at higher prices, and also to have some reasonable margin for self-financing to be able to finance to a modest extent the changes in life which necessitate buying better and newer assets.

160. (President): Mr. Winchester, if you were a lawyer you would have added to those remarks that one reason for having a reserve is that Parliament has said you ought to—Yes.

167. (Mr. Goff): That is a matter of legal argument on which I shall have to address you in due time, Sir. (To the Witness): Of course, for British Railways as a whole, although Parliament has said they ought to have a reserve, really it is quite impracticable for them to have a reserve?—That is so at the moment.

168. So you cannot simply say: "Parliament says we ought to have a reserve and therefore we must?—No.

169. So far as British Railways as a whole are concerned, it is impracticable?—But we have in each part of our undertaking the obligation to fix our prices in such a way as will enable us to earn a reserve.

170. If that is practicable?—Yes, and it is practicable on London Lines.

171. Let us come back to what I put to you to start with. You are considering this in circumstances where costs are steadily rising?—The general level of costs is not showing any marked increase at the moment.

172. Yours have risen considerably, have they not, owing to wage increases?—Yes.

173. And you have already had two fare increases in recent times, and you are now proposing a third?—Fairly small ones. If you insist on the numbers, I think I can refer to the size.

174. They run into substantial sums of money, do they not?—Yes.

175. And they have caused considerable ill-feeling amongst many of your customers?—I doubt that. I think they realise, as has been said in Parliament by the Prime Minister and others, that it is our duty to charge a proper price for our services.

176. Do you really think that?—Yes.

177. You allow in your figures quite a substantial discount for loss of custom because of the increases?—Yes. There is always an immediate reaction; some people try to avoid paying it.

178. Is that not because the reaction is that people do not say: "Of course they must do this, they have got to pay their way," but that they say: "This is dreadful. Here are the fares going up again. I must get out of paying this if I can"?—No. Some of them may find ways, or may, in consequence, try and save part of their fares.

179. In that sort of atmosphere would you agree that they should try to keep your reserves to a minimum?—No. Life has been like that and will continue to be like that. We cannot on every occasion be looking over our shoulder in this way, or we shall never charge a proper price. This present situation is no worse, in fact I should think on the whole it is better from the point of view of

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[Continued]

the economic background, than at practically any time in the last 12 years.

180. There, of course, you are referring to the general economic state of the country?—Yes.

181. But your particular position is that you have had very substantial wage increases?—Yes.

182. Several times in the very near past?—No. I think we have had one substantial increase. It came in bits, I agree, but it all eventually was back-dated to the beginning of 1960.

183. You do not agree with the suggestion that in the circumstances as they are in which you are working you should keep your reserves to a minimum?—No.

184. If you get a reserve on London Lines will it be used for London Lines exclusively?—No.

185. So is this not an artificial conception?—No; it is saying what is a proper price for the London Lines' users to pay, and the proper price should be such as will meet their expenses and leave a margin over.

186. London Lines, of course, is simply part of British Railways, is it not?—Yes.

187. And its reserve would not be an asset used separately for London Lines at all, would it?—No.

188. What it would, in fact, do would be merely to lessen the losses on British Railways in general?—Yes.

189. So it is quite a fallacious idea to look upon it as if you are running London Lines as a separate undertaking, an undertaking which can make profits and therefore ought to have a reserve. What you really want to do is to get out of London Lines something which you call a reserve, but which is really something which will go to lessen the losses of British Railways as a whole?—I am trying to get a proper price from London Lines for their services as the Commission is trying to do everywhere, and it cannot wait until everybody is ready and able to pay a proper price before it gets it from one particular place.

190. It is the fact, is it not, that to speak of it as a reserve and to consider grounds upon which it ought to have a reserve, particularly the ones the learned President suggested, namely that the Act of Parliament required it, is really quite artificial?—I am not able to argue with you on the meaning of the word of the Act, but I do not regard talking about a reserve and using the word "reserve" as being in general artificial.

191. It is the fact anyway, is it not, that this will not appear in any way as a separate bookkeeping entry or as a separate fund, it will be merely swallowed up in the losses you generally have on British Railways?—Yes.

192. (President): That would be true of the increases in fares, would it not?—Indeed, yes, Sir.

193. (Mr. Goff): Mr. Winchester, are you concerned at all with the question of whether anything should be done to increase the use of the buses in the off-peak hours, or is that a suggestion which I should put to somebody else?—I think it would be more useful to put it to somebody else.

194. Also I am going to suggest to the witnesses that the single fare staging and half-mile charging which has been introduced already for $\frac{1}{2}$ miles, and is proposed for $\frac{3}{4}$ miles, should be adopted generally for season tickets and for London Lines and London Transport in London; that is a matter which I should put to Mr. Harbour, Mr. Dickson and possibly other witnesses, but not to you?—No, not to me.

195. I am also going to dispute at considerable length the mode of calculating Central Charges, but perhaps I ought to put that to Mr. Evershed and Mr. Harbour.

(Mr. Fay): It is this Witness and Mr. Evershed.

(The Witness): I did say that I had relied on Mr. Harbour's figures and—

196. (Mr. Goff): Yes; that is why I was not going to put it to you, and if you say I should, I shall put it to you in detail. So far as Central Charges are concerned,

you gave evidence at page 19 in the middle of the first column, when you were asked: "Finally, a rather different matter I want to ask you about which concerns London Transport. Firstly, Central Charges: How are the Commission approaching the problem of Central Charges at this Inquiry?—Well, I think Mr. Evershed will explain in a little more detail that the figures we have arrived at for our own purposes and used for the purposes of this Inquiry have been done by proceeding from the £6m. or thereabouts, which we think was inherent in the Tribunal's decision on the 1959 Scheme and adjusting that for any known or expected changes. The only ones of any substance of which we are aware that are likely to affect the year 1961 are changes in volume of investment and capital expenditure. (Q) Mr. Evershed will deal with the detail of that calculation? (A) Yes". Have you gone into the details of the calculation at all? I want to put differences in detail on many points; would you be able to deal with that?

(President): With regard to London Transport or London Lines? This is London Transport, is it not?

(Mr. Goff): London Transport, Sir.

(President): Mr. Winchester dealt with his Central Charges allocation in the case of London Lines on page 18 in the middle of the right-hand column, at the question beginning: "Was it taken in 1953 at £22m?"

197. (Mr. Goff): Yes, Sir; the answer was: "Yes. It was, I think, originally arrived at by taking the Central Charges appropriate to British Railways as a whole and apportioning these between London Lines and the rest of British Railways' operation *pro rata* to working expenses. (Q) You took the ratio of the working expenses? (A) Yes. (Q) And you adopt the same method to-day? What does that produce as the contribution of London Lines to Central Charges? (A) If you use the 1959 accounts, the total British Railways' Central Charges were £42m.; the London Lines' expenses as shown in WW11 were £29m., and the total British Railways' working expenses in 1959 were £499m. A simple proportion sum gives you £23m. attributable to London Lines. Would you forgive me for one moment, Sir? I think we are getting at cross purposes; I am not challenging it as to London Lines, but as to London Transport.

(President): Yes. In general, Mr. Goff, you may take it that if you find you are asking subsequent witnesses questions and they say they cannot answer, and you think you ought to have put a particular question to Mr. Winchester, he can come back.

(Mr. Goff): If you please, Sir; I am obliged. Then at this stage I shall not deal with it with Mr. Winchester; I think I should be wasting time.

(Mr. Fay): I think the evidence which Mr. Winchester gave with regard to London Transport was that it had been agreed with the Officer of London Transport to say that; it is at page 19, column 1, three parts of the way down.

198. (Mr. Goff): Yes; in the middle of the first column we see the question and answer I have already read: "Finally, a rather different matter I want to ask you about which concerns London Transport. Firstly, Central Charges: How are the Commission approaching the problem of Central Charges at this Inquiry? (A) Well, I think Mr. Evershed will explain in a little more detail that the figures we have arrived at for our own purposes and used for the purposes of this Inquiry have been done by proceeding from the £6m., or thereabouts which we think was inherent in the Tribunal's decision on the 1959 Scheme and adjusting that for any known or expected changes. The only ones of any substance of which we are aware that are likely to affect the year 1961 are changes in volume of investment and capital expenditure." (To the Witness): Then you agreed that Mr. Evershed would deal with that, and then you were asked: "You are an officer of the Commission. Has the Commission an interest in defining, as between yourself and London Transport, the amount of London Transport's Central Charges?" and you answered: "Indeed, we always try to agree with them what is a proper arrangement for Central Charges". Then: "(Q) The agreed figure is now published year by year in the booklet 'London Transport'?" (A) "London Transport in 1959" shows the figure agreed for 1959, which

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[Continued]

was £6m. (Q) What was the agreed figure for 1960? (A) We have recently agreed the figure of £64m. for 1960, and we have provisionally agreed a figure of £7m. for 1961. That is rather a case of a person agreeing with himself, is it not? Who agreed the figure of £6m. for 1959; who were the two parties to the agreement? (A) London Transport and the Commission.

199. The Commission as a whole?—They are both separate corporate bodies.

200. So the Commission agreed with London Transport?—Yes.

201. But on what did they base their agreement; did they work on figures?—Yes; they based their agreement on the various arguments and discussions which have taken place here in a large number of inquiries, and also on the kind of calculations that have been produced by Mr. Evershed and as to which he is familiar with the details.

202. So that if I cross-examined Mr. Evershed, and supposing he agreed, or supposing the Commission found after the cross-examination, or after I had called by witnesses, that the figures which Mr. Evershed has put forward on his tables are wrong, that would undermine the basis of the agreement which the Commission made with London Transport?—If you showed that they were wrong to a substantial extent, we might like to think again, but we do like to deal in round half-millions. The matter

is not susceptible to exact mathematical calculations, and we proceed on the broad figure.

203. But at any rate you agree that it is an agreement between the two of you; you do not suggest, do you, that it binds anybody else?—No, certainly not.

(President): Mr. Goff, were you cross-examining on behalf of the London County Council only?

(Mr. Goff): I now represent the London County Council, the Middlesex County Council and the Surrey County Council and a considerable number of supporting Boroughs and Urban District Councils, Sir.

(President): Then perhaps it would be convenient to put your Representation in the form of a list.

(Mr. Goff): If you please, Sir; it comes to something like 20.

(President): Now Mr. MacLaren, are you next?

(Mr. MacLaren): If you please, Sir.

(President): You are cross-examining on behalf of West Ham, East Ham and Croydon County Borough Councils, and Walthamstow and Leyton Borough Councils?

(Mr. MacLaren): Yes, Sir.

Cross-examined by MR. MACLAREN

204. Mr. Winchester, could you look at Table AE 3; I think you may be able to help me with this. I would like you to look at line 7, which shows in 1959 a net contribution by London Transport to the Transport Commission of £6.0m.?—Yes.

205. And then in 1960, a contribution of £6.3m.—Yes.

206. That is on the basis, is it not, that the fares increases which were in fact operating in 1960 are not included in this estimate?—That is so; they are at the 1959 fare levels.

207. Yes; actually in 1960 there was £1.7m. Is that right?—I do not remember the precise figure—

(Mr. Fay): Yes, that is right.

208. (Mr. MacLaren): I am obliged. (To the Witness): That would mean that the net contribution by London Transport to the British Transport Commission in 1960 has in fact been of the order of £8.0m.?—That is so.

209. In 1961, of course, the figure of net receipts will also change, will it not?—Yes.

210. Are you in a position to give me the figure for the working expenses of London Transport? I want the estimated working expenses for 1961, not the future year.—No, not off-hand; I think Mr. Evershed will be better able to give you that.

(Mr. Fay): It is in line 4, is it not?

(Mr. MacLaren): No, it is not; that is the future year.

(Mr. Fay): And that is 1961.

(Mr. MacLaren): No; it is adjusted.

(Mr. Fay): Not the expenses.

210a. (Mr. MacLaren) (to the Witness): Perhaps it would be simpler if I asked Mr. Evershed?—Yes, I think so.

211. And I think we have in fact been given a figure for the benefit of fares increases in that year; it will be the figures quoted, namely £0.2m. plus £2.5m. plus £2.4m., with £0.1m. allowed for the fortnight?—Yes, that is about it.

212. So that it is £5.1m. on that basis, is it not?—Yes.

213. And that, added to the £1.8m., is £6.9m.; it is a contribution of £6.9m. in 1961 on the present fare level?—Subject to some small adjustment in the working expenses. It is quite trifling; I cannot remember the exact figure, but it is £100,000 or so.

214. You were giving figures for the fall-out of the year 1960 for the British Transport Commission as a whole; are you able to give me a figure for the expected income for the year 1960 for other activities as a whole—the net income for other activities?—It would not be very different from what it was in 1959.

215. Would it be about £10m.?—Yes. I have not the precise figure with me, but it is of that order within a million or so.

216. You were good enough to give the contribution to joint expenses by coaching services and freight services in 1958; have you a figure for the contribution by freight services in 1959?

(President): I am lost, Mr. MacLaren; what is your question?

(Mr. MacLaren): Mr. Winchester was giving evidence as to the contribution to joint expenses of the coaching services and the freight services—

(President): Where was that?

(Mr. MacLaren): It is on page 17, in the second column.

217. (The Witness): I said in about the fourth paragraph that it would be slightly down on the £60m., and I do not think I can improve on that; these figures are not precise within £2.0m. or £3.0m.

218. (Mr. MacLaren): No. I quite follow. What about 1960?—That would be still lower, but again how much lower I am not sure. I am not anxious to go into a lot of detail on British Railways as a whole; this is a matter in which, as you know, Parliament is very interested, and I do not want to go bandying figures about more precisely than I need.

219. If you please; I will leave it at that.—But it will be some millions more lower.

220. (President): The figures given to the Select Committee ended with 1958, did they not?—That is so, Sir.

221. The figures you are now talking about in the second column of the table on page 18, in which you say that the coaching services have improved, are figures which have not been given anywhere until the other day?—That is so, Sir.

222. And those are only direct expenses?—That is so.

223. They are movement and terminal expenses, leaving out track and signalling?—Yes, and a certain amount of central administration and so on, leaving Central Charges out altogether.

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[Continued]

224. (Mr. MacLaren): That is precisely what we want to know—the figures you give on page 470 when the Commission was talking about direct expenses. What was included in the direct expenses, or what was excluded from them, whichever of those two questions is the easier to answer?—I think the exclusion is easier to answer: Track, signalling, administration, Central Charges.

225. Was it general administration, or only part?—Some part of the general administration figure shown under British Railways and the whole of the administration of the Commission.

(Mr. Noakes): I have no questions to ask of Mr. Winchester, Sir.

Cross-examined by MR. VINE

226. I did not quite follow your figures on the Second Day for the annual deficit of British Railways; what was the annual deficit for 1959?—It is the figure shown in the Published Accounts for 1959.

227. I think you mentioned a figure of £84m.?—Yes.

228. Does that include interest charges?—That is after charging interest, yes.

229. The reason I have brought this up is that according to the Government White Paper entitled "Reorganisation of the Nationalist Transport Undertakings" at paragraph 6, it says: "The railways . . . are a long way short (by about £60m. a year) of covering even their running costs. This is quite apart from the problem of meeting their interest charges, whether upon the price paid for the undertakings or upon the money since borrowed for modernisation and other purposes. These interest charges now total some £75m. a year". I was wondering how those figures in the White Paper compared with your figures?—The £84m. is after charging £42m. for interest and other Central Charges. The working deficit in 1959 for British Railways was £42m.; the Government White Paper says that the comparable figure to-day to that £42m. is about £60m.

230. I think in your evidence you gave for 1960 a total figure of £90m.?—I said that was the estimate we had made in July.

231. So that of that £90m., £60m. is revenue and £30m. is interest?—No. I am a little reluctant to go too far into this; I am happy to give you anything that is necessary for you, but I am a little reluctant to go into the finances as a whole.

232. But you appear to have given one set of figures, whereas the White Paper has given another, and they do not appear to agree?—The working deficit position of £42m. in 1959 has certainly deteriorated since then on British Railways, and it may well be at about the £60m. that is now mentioned in the White Paper. The £75m. a year that they use here as interest charges is not comparable with the Central Charges figure, also £42m., which was shown in the 1959 Accounts, because in the 1959 Accounts we charged, by agreement with the

Government under the 1957 Transport (Railway Finances) Act, a substantial amount of our interest to a special suspense account. The £75m. is the whole of our interest burden, calculating the interest which we were, under the interim arrangement, charging to suspense.

233. I think my only other question is this: Why is it that the Transport Commission have had three bites at the cherry in a matter of about 12 months?—In part it is due to the deficiencies of Section 23 of the Transport Act, 1953, under which we must go in order to secure quick action.

234. What I am putting to you is this, that if you have to revise your estimates three times in a year, the estimates you are bringing before us now are not very accurate?—No; if we can have it varied to raise our charges by the amount we would have liked when we first did it, we would have asked for a lot more, but we asked for what was permissible within the somewhat stringent terms of Section 23 of the 1953 Act.

235. Are these charges made through any violation of the Transport Commission or are they made as a result of direct or indirect pressure by the Government?—

(President): I do not suppose this Witness can answer that, Mr. Vine. Mr. Fay is the right person to answer that, or to say that it is not relevant.

(Mr. Fay): I was going to suggest to my learned friend could subpoena either the Minister of Transport or the Prime Minister, if he wishes to pursue that point.

(Mr. Currie): I am appearing for the Objectors who are on the Record under the name of Mr. A. W. Palmer, Sir, namely the Folkestone and Kent Coast Railway Travellers' Association and the North-East Kent Railway Travellers' Association.

(President): You are attacking the Commission in the flank, are you, Mr. Currie?

(Mr. Currie): Yes. If the usual paper has not been completed, I will see that it is.

(Mr. Fay): It is Objection No. 27, Sir.

Cross-examined by MR CURRIE

236. Would you agree that one of the matters which has to be looked at in deciding on any future charge, either in respect of the passenger fares, season tickets, freight, or any other charge made by the railway, is the matter of efficiency in the running of the organisation?—I do not think the two are connected. We have a permanent duty to be efficient, which is not affected by the fact that we may at a particular moment wish to increase our charges.

237. But would you not agree that in order to come and ask for an increase in fares, it would be appropriate that you should satisfy the Tribunal that you are running your system in the most economic manner in which it could be run?—No, I do not think so. I do not think it is part of the duty of the Tribunal to examine our efficiency, but of course, it is not for me to say.

238. Has it not a bearing on it in this way, that if there are some indications that possible economies could be effected in the running of the organisation, it would have a profound effect on the decision as to whether or not fares should be increased?—No. The efficiency of the railway operations at the moment are such that there is not the remotest possibility of any economies meeting the deficiencies in the short term.

239. As I understood your evidence this morning, it was to the effect that you did have some regard, in providing your estimates, to the modernisation which is now taking place on the railway system?—That was in the estimates for London Lines?

240. Yes, but London Lines' estimates form part of the total picture, do they not?—Certainly—I beg your pardon. It is fair to say that in all the estimates I have given for British Railways I have had regard to the effect of the modernisation plan.

241. Over the week-end I was reading the transcript of your evidence, and I think I am right in saying that you mentioned that you would have regard to the reduction in the price of fuel oil?—I think that must have been Mr. Evershed; I do not remember saying that.

242. I beg your pardon; did he also deal with the reduction in the licensed vehicle duty?—Yes.

243. All these matters have to be taken into account?—But they are trifling compared with the problems of the deficit.

244. Would you not agree that management is something which has to be examined?—Not, I would respectfully suggest, by this Tribunal.

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[Continued]

245. Would you not agree that in coming to the Tribunal there is some onus resting on the British Transport Commission to show that they are running their business in an efficient manner and as cheaply as possible?—There might well be some onus to see that we are being reasonably efficient but I certainly do not accept—

(President): I doubt whether Mr. Winchester is the competent witness on the question of what is relevant, Mr. Currie; he is not speaking as a lawyer.

246. (Mr. Currie): If you please, Sir; probably I put it in an awkward and clumsy way—I am sorry. (To the Witness): In preparing your figures, Mr. Winchester, you have the very responsible position, have you not, of being the Director of Budgets?—That is my title, yes.

247. And in preparing your figures as Director of Budgets, would you not feel that you yourself should be convinced that the system was being run in an economical manner?—Certainly.

248. It is curious, is it not, that no one, in the course of the evidence from British Railways, seems to have dealt with this problem?—I think I have made the point once or twice that any possible, or any additional, savings that we might make in the immediate future will not really deal with the deficiency problem that we have.

249. Did you in the course of your evidence say that in considering the fare structures you have regard to whether or not there is a competitive privately owned service or publicly owned service?—I think that was Mr. Dickson.

250. In your view is that a proper matter to have in mind?—Certainly, in dealing with fares, yes.

251. And you might on occasions conceivably reduce your fares below the economic level where there was private competition running against you.—No. Perhaps we do not mean the same thing by "economic level", but I would not reduce them below the level I could get, or below the level of enabling the particular service to pay its way.

252. What you mean, I take it, is that you might reduce it below the fare you would otherwise charge, if you found there was competition?—Certainly.

253. So that it might be out of proportion with other fares where there was no competition?—That is so.

254. So far as those areas I am instructed to represent in the course of this Inquiry are concerned, there is no competition; that is so, is it not?—For a season ticket to Folkestone, do you mean?

255. Yes—I imagine it is fair to say that, yes.

256. And so you have the responsibility, as Director of Budgets, have you not, of trying to maintain a fair balance in so far as the fare structure is concerned, because of the monopoly that the Commission has?—It is not my responsibility, but—

257. It does not come into your province?—No.

258. Not at all?—No.

259. Whose responsibility would that be?—The responsibility of the Commercial Officer. No doubt Mr. Dickson could speak about that.

260. As Director of Budgets, would you, other things being equal, prefer to see a stability in the fare structure?—It all depends upon what you mean by "other things being equal". If we were making a nice profit and if the currency were stable, it would be very nice to have a stable fare structure.

261. And you are concerned to try and retain the custom you have on the railways?—Indeed, yes.

262. And to provide a reasonable service for the areas which the railways serve?—Yes.

263. You said "other things being equal"—currency being equal; do you not think that as the fares are increased, you encounter more and more of the law of diminishing returns?—As fares are increased, the amount of transport we can sell will decrease, but not *pro tanto*.

264. And as you increase your fares, would you agree that you are increasing the probability of some further financial pressure reflecting back on your organisation?—I am sorry?

265. As you increase fares, would you not agree that you are yourselves assisting to increase inflationary pressures?—The effect is quite trifling. The effect of transport on the price index—and rail transport in particular—is quite trifling.

266. Are you speaking of passenger services only, or of freight charges and all the other charges?—I was isolating your problem.

267. You were isolating the passenger fares. What would you say the percentage would be, looking at the railway service as a whole?—I think about 2 per cent.

268. And what about freight?—That is more difficult. It would be perhaps twice as much, but I have not a figure in my mind on that.

269. So that would be about 4 per cent.?—Yes, but I have not a figure in my mind on that.

270. You have been with the Commission for a considerable period of time?—Yes, I have, and I was thinking that I had a figure with regard to that—

(Mr. Fay): I was wondering if my learned friend had looked at the diagram in the last Annual Report which shows the amount that is spent on railway travel as compared with each other item of personal expenditure.

271. (The Witness): That is the kind of figure I had in mind. It is 2d. in the £—round, 1 per cent.

272. (Mr. Currie): I suppose it would be fair to say this—I do not know whether you would have any regard to it or not—that a great many people were attracted by the railways to go and live in these South-East Coast towns?—Yes. You mean in pre-war days?

273. Yes.—The fares have not gone up since then, in real terms.

274. Have they not? If we can talk of the period before the war, I think that from Folkestone, for example, you could get a quarterly season ticket for £9 18s. 0d.; would that be about right?—I will take that from you.

275. And to-day a quarterly season ticket costs £27 17s. 0d.?—Oh, they have gone up, but the value of money is less than one-third of what it was before the war. It has not gone up in real terms; it has in terms of the currency, but fares have not gone up in real terms—other things have risen much more than that.

276. But there is an oddity, is there not, looking at the cheap day returns; before the war a cheap day return was 9s. 0d.?—Yes, I will take that from you.

277. And to-day it is 15s. 0d.—Yes.

278. There is quite a difference there—

(President): You say the day return from Folkestone has risen from 9s. 0d. to 15s. 0d.? I should have thought they were doing very well indeed.

279. (Mr. Currie): Yes, Sir; that is the point I am trying to make. (To the Witness): It is that whereas the season ticket has gone up from £9 18s. 0d. to £27 17s. 0d., the day return has only gone up from 9s. 0d. to 15s. 0d.?—Yes. We cannot maintain for ever the relativity of individual fares within a structure. We get a proper fare from each, and the fact that the day return customer is getting his travel even more cheaply in relation to pre-war days than the season ticket travellers, I find not surprising.

280. But this morning you said that the season ticket holder was getting an extremely good bargain, better than anybody else?—Yes, I would have thought so.

281. But not better than the 15s. 0d. traveller?—How many sums of 15s. 0d. are there in the quarter? If he took a cheap day return every day, he would have to spend a great deal more than he would if he took a season ticket.

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[Continued]

282. Have you looked at the possibility of getting some of this money that you need from the cheap day return tickets?—We need all the money we can get; if we can get more from the cheap day return tickets, we shall.

283. But if you did get more from the cheap day return ticket, which shows such a small change in the illustration that I have given you, you would need much less from the season ticket traveller?—No.

(President): But we have no power to fix the cheap day returns, Mr. Currie.

(Mr. Currie): No, Sir; the point I am trying to make is that in budgeting these matters all have to be taken into account.

(Adjourned for a short time.)

(President): Has anybody else arrived who wants to cross-examine Mr. Winchester? (No response).

Mr. Fay, are you going to re-examine now or will you wait until Mr. Winchester comes back, if he does so?

(Mr. Fay): I would prefer to do it now, Sir; I think it is the quicker way.

Re-examined by MR. FAY

284. I have very few questions to ask you in re-examination, Mr. Winchester. My learned friend Mr. Goff asked you about the budgeting earlier on in his cross-examination; if you recollect he asked you whether the budgeting was done on a conservative or, as I think we agreed, a liberal basis. When the budgets, either of London Transport or British Railways, are prepared are they prepared with these inquiries in mind?—No.

285. For what purpose are they prepared?—They are prepared first of all so that we may see what the outlook for the Commission is for the coming year, and also so that we may have a basis for discussing with the various Divisions concerned as to what they think they can earn and so that we may discuss with them whether their objectives and expectations seem reasonable.

286. Are they used as a test during the course of the year?—Yes.

287. But they are not prepared for these Inquiries?—No.

288. But, being there, they are used at these Inquiries as a source of information?—Yes, but I would like just to make an exception with regard to London Lines; we split down the railway budget between London Lines and the rest of the railways and—

289. By whom is the budget for London Lines prepared?—It is prepared by the respective regions.

290. So that you have to take the budget forecasts of each of the regions and ascertain how much is applicable to London Lines and so on?—Yes.

291. I want now to clear up what I think was a slight misunderstanding between you and my learned friend; he put it to you that the season tickets on the London Lines, when they were increased at Stage 1, were increased in some cases from what had been sub-standard?—Yes.

292. I am not sure that you were inclined to agree with that, but in fact you are not the witness who knows about the commercial aspects of the matter?—No.

293. But it is a fact, is it not, that London Lines of British Railways, as on the railways of London Transport, the season ticket rates up to 1960 had been at less than the maximum above a certain mileage?—Yes.

294. I think it was above 24 miles?—Yes. I was regarding the word "sub-standard" something of a term of art, meaning a particular route or the fare between two particular points being below the maximum level.

295. But this is "sub-maxima"?—Yes; I had forgotten about this factor you have just mentioned to me.

296. It is shown on Exhibit BH 24 as compared with Exhibit BH 25; what does not appear on those tables is that it applies to London Lines and not to London Transport?—Yes.

297. Then you were asked what would happen to the reserve, if one were earned by London Lines, and you said, or you agreed, that the reserve would lessen the losses on British Railways in general, which is no doubt perfectly true?—Yes.

298. But at the same time, as British Railways are incurring losses against which no revenue is to be set, is British Railways receiving large capital sums in respect of the services on London Lines?—Yes.

299. Are those capital sums self-financed?—No; the money has to be borrowed, including not only the money for improvements but the money to make good the depreciation of the currency — the renewal and higher prices not currently chargeable to revenue.

300. And if London Lines are contributing whatever surplus they make to the coffers of British Railways, they are also getting this back?—Yes, subject to the margin of error in my estimates, but on the basis of the figures I have produced, the kind of funds they are contributing would be quite a small contribution to the major funds being put into the improvements.

301. There is only one more rather trivial matter; my learned friend Mr. Currie, when he was cross-examining you just before the luncheon adjournment, put to you that the cheap day return ticket from Folkestone to London was now 15s.?—Yes.

302. I am not quite sure what was to be deduced from that, but I gather it was something which was approved of by the cross-examiner. Have you calculated how much would be spent by the quarterly season ticket traveller who now pays £27 17s. 0d., if he took a cheap day ticket every day?—I have not, but it is about £55—

303. In fact, we make it £48 15s. 0d., on the basis of sixty-five days in a quarter; that is, a five-day week?—Yes, that is about right.

304. So that these cheap day tickets, which are agreed as being cheap, are nearly twice as much as the season ticket rate?—Yes.

(Mr. Fay): That is all I have to ask Mr. Winchester, Sir, but he will be available at any time if the Tribunal wishes to ask him any questions.

(President): I do not wish to ask him any questions at the moment, Mr. Fay; I prefer to wait.

(Mr. Fay): If you please, Sir; then I shall recall Mr. Evershed for cross-examination.

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[Continued]

Mr. ARNOLD GODFREY EVERSHED, re-called.

Cross-examined by Mr. GOFF.

305. I just want to clear up what I think must be a mistake in the transcript, on Page 21 in the first column, towards the bottom. You were referring to Exhibit AE 3 and you were asked: "In the three columns on AE 3 do the figures from items 1 to 9 exclude the temporarily authorised charges?" and you answered: "It is really the first line, passenger traffic receipts, which have had excluded from them, or there is not included in them, the yield of any of the fare increases which are the subject of this Application. The yields of the fares increases which are the subject of this Application are shown at the foot of that Exhibit in lines 10 (a) to (b)" —that ought to be "lines 10 (b) to (d)", ought it not?—"10 (a) to (d)".

306. No; it is "(b) to (d)" because you said: "And also there is shown the yield of increases in fares which were made on January 15 last under our existing powers". That is 10 (a), is it not? In that answer you go on: "The yields of the fares increases which are the subject of this Application are shown at the foot of that Exhibit in lines 10 (a) to (b), and also there is shown the yield of increases in fares which were made on January 15 last under our existing powers"—the "and also" is line 10 (a), is it not?—Yes.

307. Therefore the previous reference should be to lines 10 (b) to (d) and not to lines 10 (a) to (b); it is lines 10 (b) to (d), and also what you have in line 10 (a)?—Yes.

308. In the second column on Page 21, about two-thirds of the way down, you were asked: "So far as 1959 itself is concerned, can you give the yield in the year?" and you answered: "The yield in 1959 was considered to be £0.9m.". That was your answer; I think that was referring to Exhibit AE 2, line 12, where you are comparing the actual for 1959 with the budget, and in line 12 you have increases in fares, August and November, 1959, plus £0.9m.?—Yes.

309. Where does that figure come from; is that an estimate or is it taken from some data?—That is an estimate.

310. How was the estimate made; on what was it based?—The estimate was based on the yield in a full year of the fares increases of August and November, 1959, and further an estimate of the fact that those fare increases which would yield £3.9m. in a year would, by reason of the fact that they came into operation in August and November of 1959, have yielded £0.9m. in 1959.

311. It was calculated independently of the fact that the actual exceeded the budget by £1.0m.—Yes, quite so.

312. At the foot of Column 2 of page 21, you were asked: "Instead of your estimated deficit of £1m., you were able to cover your Central Charges, leaving yourself to all intents and purposes level?", and you answered: "Yes, we eventually emerged from 1959 with a surplus over Central Charges of a matter of £30,000". That surplus was after taking into account the increases authorised by the 1959 Scheme, was it?—The increases were in fact implemented as a result of the 1959 Scheme.

313. Now I want to ask a few questions about the answers you gave to Mr. Fay concerning the wage increases; they begin a little below the middle of the first column of Page 23. You will see that, you were asked there: "Then in 1960 was there an increase in the wages of drivers and conductors?", and your answer was: "Yes. In fact, in 1960 there were two increases in the wages of drivers and conductors." Then: "What was the first increase? (A) The first increase was given in March, 1960, and consisted simply of an increase of 10s. 0d. per week in the basic wages". Then you were asked: "How many employees did that affect?", and you answered: "That affected about 33,000 men and women, that being the number of staff in respect of pay at that time". 33,000 employees at 10s. 0d. a week—that is the basic rate—would be £558,000 per annum, and you give the annual cost of that as £1.1m. in a full year?—Yes.

314. Could you tell us what the full weekly increase was? It must have been more than 10s. 0d. a week

because that was basic earnings?—Yes. There was an increase of 10s. 0d. a week in the basic wages—that is what I said in my evidence in chief—but it is a feature of the busman's work that he gets paid an additional rate of pay for work done on Saturday afternoons and on Sundays, so that if his basic rate of pay is increased by 10s. 0d. a week his actual rate of pay would be increased by something more than 10s. 0d. a week.

315. Yes indeed, but would that be a fluctuating amount or would it be the same amount per week in the aggregate? Would it be 10s. 0d. per week plus extras which fluctuate according to the work done, or would it be a figure which gives you, say, 12s. 6d. a week?—It would fluctuate so far as the individual driver or conductor is concerned, but it would not fluctuate so far as the general body of drivers and conductors is concerned.

316. So the £1.1m. per year was calculated on the footing that the increase was a specific sum weekly, being a sum more than 10s. 0d. a week?—No, it was not calculated in quite that way.

317. We want to check the figures, so I want to know how the £1.1m. in a full year was calculated.—The £1.1m. was calculated in this way: firstly, a straight increase of 10s. 0d. per week for the number of men in receipt of pay, and that excludes men who are on the pay roll but for one reason or another may not be receiving pay in any one representative week—people who are sick and so on. That is the start of the calculation; to that figure I have added one-seventh. The reason for the one-seventh is this, that drivers' and conductors' work is costed; that is to say, the actual cost of all the schedule duties that are necessary to carry out the timetable are added up, and it is our experience that that total exceeds by one-seventh the figure of the basic wage multiplied by the number of men required.

318. I see; so you take the figure of one-seventh as being a representative proportion covering all the extra emoluments of individual drivers and conductors?—Yes.

319. Then below that you will see: "(Q) Was there a further increase in October, 1960?" and you answered: "Yes. In October, 1960 we increased the basic wages by 18s. 0d. a week, and there was in addition an agreement to improve the conditions of service at the weekends, to pay an increased cash allowance for scheduled labour running late duties—matters which are normally dealt with by cash payment—and we introduced the safety bonus for drivers and a long service award scheme for conductors." Then you were asked the cost of that in a full year, and you said: "That increase was expected to cost £2.6m. in a full year. For 1960, because it only became effective on the 26th October, the cost was estimated to be £0.5m."—Yes.

320. Similarly, if you take 33,000 employees at 18s. 0d., the answer is £1,544,400 per annum, and not £2.6m. Is the difference explained in the same way, or has some different proportion been used there?—As I understood you, you have not made any allowance in that calculation for the cost of the easement of conditions of service.

321. Is that the same kind of thing that made a difference in the other case?—No, there is no easement of conditions of service in the first figures to speak about.

322. In the first place you put on the increase of one-seventh for the things we were talking about before?—Yes.

323. And then you have to put something else on for betterment of conditions?—Yes.

324. How is that arrived at?—I think it must be broken down to its constituent parts. The principal item additional in the cost of the increase of 18s. 0d. in basic wages is the increased cash allowance for early and late duties. May I just interpose here that the transcript of my evidence is wrong at that particular point?

325. Then may we get that right?—It was probably my fault. At the fifth line of that answer, it should read:

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[Continued]

"... pay an increased cash allowance for overtime and early and late duties".

326. So we strike out "scheduled labour running late duties"?—Yes.

327. And what do we substitute?—"Overtime and early and late duties".

328. Very well; now the answer is right?—The answer is right now, and the explanation I was about to give you was that a cash payment is made for duties which start early or finish late.

329. And that was a new thing in October, 1960, was it?—No, it was not a new thing but its scope and value were both increased.

330. I still want to know how we work the calculation out. We have the basic increase of 18s. 0d. per week?—Yes.

331. Do we then have to add one-seventh to that for the ordinary extras which were there before, as we did in the case of the other sum?—Yes.

332. And then we have to add something more, do we, for the improvement of conditions of service at weekends and the increase in the cash allowance?—Yes.

333. How was that final extra calculated?—That was calculated by examining the Duty Schedules which are the rosters of duties required to cover the day's work and discovering in fact how many duties started before four o'clock in the morning or how many duties finished after two o'clock in the following morning, and applying to the number of duties falling within that category the cash allowances now payable for them.

334. So that was worked out on actual figures and not on a percentage increase like the other?—It was worked out on actual figures as shown by the Duty Schedule.

335. So if you take 33 times 18s. 0d., which I am instructed gives you £1,544,400, and increase that by one-seventh the difference between £11m. increased by one-seventh and £2.6m. would be the figure which was calculated as the actual figure by reference to the Duty Roster Sheets?—Very largely. I said that the answer would have to be broken down into its constituent parts, and I have in fact only given you one constituent of the increase. There is a further part which I have referred to in my answer; that is the safe driving awards for drivers and the long service awards for conductors.

336. I suppose that was taken into account as an actual figure in producing your result?—Yes, an actual figure was used; but of course it was quite a different sort of actual figure; it was an actual figure derived from our staff statistics as to the safe driving awards held by individual drivers, and according to the length of service of individual conductors.

337. Now may I go back for one moment to your explanation of the first increase, the March increase. You said that you added one-seventh to the amount of the basic increase in wages?—Yes.

338. 33,000 employees at 10s. 0d. a week gives you £858,000; one-seventh of that is £123,000, a total of £981,000, which is £0.9m. and not £1.1m.?—Yes. I did not say that there were 33,000 employees in receipt of the earlier increase; I said there were 33,000 employees in receipt of the later increase.

339. Would you mind looking at what you did say; you were asked: "What was the first increase?", and the answer was: "The first increase was given in March, 1960, and consisted simply of an increase of 10s. 0d. per week in the basic wages".—I beg your pardon.

340. Then you were asked: "How many employees did that affect?", and you answered: "That affected about 33,000 men and women"; and so on.—I beg your pardon; that is perfectly true. What I did not mention is that of course such staff as we have these days are having to work a good deal more than a normal week; instead of working eleven days per fortnight, which is their standard working week, in order to cover deficiencies of staff they are having to work on an average approximately one extra duty per fortnight.

341. How did you arrive at the allowance to be made for that?—That is a matter which we can arrive at from our Staff Utilisation Statements, and at that time—this was in the early part of the year, in March—we were able to discover that the 33,000 men we had in receipt of pay at that time were in fact working a further 3,200 duties per week in the form of overtime and rest-day working.

342. And that would be paid for at what rate?—That would probably be paid for at the rate of time and a half.

343. Then, when you produced your figure of £1.1m., did you work out an allowance for those 3,200 duties, or did you just think "that will add to the total", and make an inspired guess, but still a guess, and the answer would be £1.1m.?—No; I uplifted the first figure of 33,000 individuals to turn them into the equivalent of man weeks, by adding 3,200 additional duties.

344. You wrote up the number of men before working out the 10s. 0d., and you worked out the increased total?—Yes.

345. Incidentally, it says in that answer: "... that being the number of staff in respect of pay at that time"; should that not be: "in receipt of pay"?—Yes.

346. And the people we are talking about are the actual effective people receiving pay, not the number who ought to be on the establishment or who, being sick—It is excluding the number of people who were absent for one reason or another.

347. Now would you look at Exhibit AE2 on Page 43; you have there the difference between 1959 budget and the actual. Line 11 is: "Increase in level of overtime and rest day working", and the figure is plus £0.6m.?—Yes.

348. That is taken into account there, is it not?—No.

349. Is that not the same thing as we have just been talking about?—No.

350. Then what is the explanation of that?—That is due to the fact that we estimated, when we prepared our 1959 budget, for a certain level of overtime and rest-day working. In the event, the staff that we had available in 1959 was less than we have anticipated, and therefore the degree of overtime and rest-day working was greater than we had expected it to be.

351. I see; that explains that. Now, would you look at Exhibit AE4, and see if you can help us with regard to that; it is on Page 44. Have you that Exhibit in front of you?—Yes.

352. There you are preparing the 1960 (Estimated)—that means the actual figures subject to final adjustment because of the time of year when it was prepared?—I hope so.

353. It is either more or less than 1959. The first item is: "Wage Rates and Conditions of Service", and the figure is plus £3.7m.; then you get line 11 "Increase in level of overtime and rest-day working". Why does one get both those items; does not the increase in level of overtime and rest-day working come in as part of the wage rates and conditions of service?—No; the increase in wage rates and conditions of service is calculated upon a number of men being employed at a certain time, in the manner I have just explained. The increase in level of overtime and rest-day working at line 11 is the difference between what it cost us in 1960 and what it cost us in 1959, due to the fact that there was a greater degree of overtime and rest-day working in 1960 than there was in 1959.

354. So that Item 1 is an increase due to the increased rate, and Item 11 is an increase due to extra working; is that right?—Item 11 is due to the increase in extra working; yes—the increase in 1960 over 1959.

355. But you see, in your answers you were explaining that the increase was due to the March and October increases in wages; where does that appear in your Exhibit AE4? Does it appear there?—I am sorry; can you give me a reference.

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[Continued]

356. In the passage from which I was reading at Page 23, you said that there was an increase in the wages of drivers and conductors; there were two increases, one in March, 1960, and the other in October, 1960?—Yes.

357. And then you gave the amounts you estimated for those; there was £1.1m. from the first one and £2.6m. from the second, which altogether comes to £3.7 m., and that £3.7m. is the £3.7m. shown in line 1 of Exhibit AE 4, is it not? — No, I am afraid that is a misconception altogether. The £3.7m. which is shown in Column 1 of Exhibit AE 4 is not the same figure as the summation of the first increase of wages for drivers and conductors amounting to £1.1m. and the second increase costing £2.6m., although those two figures do in fact add up to £3.7m. The £3.7m. at Item 1 of Column 1 of Exhibit AE 4 is the effect in 1960 of all the wage increases that had happened during that year.

358. That is in March and October, or were there others? — There were other wage increases as well.

(President): I think that is cleared up by the penultimate question and answer in the left-hand column of Page 23, which shows that the effect of the second change in 1960 was only £0.5m. and not £2.6m.

(Mr. Goff): So that would give only £1.6m. for the two increases put together?

(President): It would give less than that; it would be £900,000 as a result of the March increase and £0.5m. in respect of the October increase, which altogether is £1.4m.

359. (Mr. Goff): Yes. (To the Witnesses): Where is that reflected in that Table?—It is part of the £3.7m. but there has to be added to that the two increases given to the railway staff resulting from the Guillebaud Report, which themselves cost £1.4m. in 1960, and there were a number of other wage increases as well.

360. I am obliged. So the £1.4m. is part of the £3.7m? —Yes.

361. And the £1.4m., of course, includes all the things you have been describing in respect of which you made the allowance of one-seventh and the extra week's cash allowances and safety bonuses?—Yes.

362. That is all included in that?—Yes.

363. Then what is line 11 "Increase in level of overtime and rest-day working"; is that an increase which is not due to rates of pay, but to an increase in actual working, or at any rate an increase in duty done by the staff you had available?—May I put it this way, that even if there had not been any wage increase at all in 1960 for the drivers and conductors, there would still have been an increase in the cost of overtime and rest-day working, because the staff that we had were working more intensively.

364. I think we have it now; it is probably my fault that we did not get it more quickly. Line 11 is due to that shortage of staff; it is due to the fact that the staff have had to work more hours, and it is nothing to do with increased rates of pay?—Yes; it is the remedying of the shortage of staff.

365. In the evidence there are several mentions of planned reduction of mileage, as distinct from lost mileage; would you agree that the planned reduction of mileage increases receipts in relation to expenses; you get a better ratio of receipts in relation to expenses because you are not running buses that are probably ill-loaded?—Yes, I think that probably would be the result of a planned reduction in service.

366. Is that the purpose of a planned reduction, or are there other objects?—I think that is probably one way of describing the purpose of the planned reduction in service, but the real purpose of a planned reduction in service is to reduce the service more nearly to that which is required having regard to the traffic demand; that is the purpose of a planned reduction of service.

367. And that leads to the advantage of running your buses more full instead of running buses with very few passengers because there is not a demand for them?—It means an avoidance of waste.

368. On page 27 of the Third Day in the first column, you were there being asked about the future year; if you would look at the middle of the column, you will see that you were asked: "Do you expect any saving from mileage changes in the future year?", and you answered: "No. I think Mr. Harbour will tell the Tribunal that the mileage which we expect to operate will be about the same as we in fact operated in 1960". Then you were asked: "In the result does that mean that working expenses will show a net increase in the future year over 1960 by £4.8m.?", and you answered: "That is so; and again the main causes of the increase are the increase in wages and for the purposes of this comparison, the increases in National Insurance Contributions". Then you were asked: "What is the position expected to be in respect of net traffic receipts?" and you said: "Net traffic receipts in the future year, based on 1961, will be very small indeed; it will be a mere £200,000, which is £4.6m. less than the estimate for 1960". That estimate of £200,000 is without taking into account any of the increases at stages 1, 2 or 3, is it not?—Yes.

369. That is right?—Yes.

370. I would like now to ask you some questions about Central Charges; that would be a matter on which you would be competent to speak as well as Mr. Harbour, would it not?—I will try and answer any questions on Central Charges, yes.

371. Probably you can help me with this: Exhibit AE 5 was based upon a Table given in the earlier 1959 evidence, was it not?—Yes; I think you will find it on Page 499.

372. Yes; it is Appendix A on Page 499, Appendix A deals with 1959, 1960 and 1960, does it not?—Yes.

373. I will return to that in one moment. On Nationalisation London Transport took over £38.8m. of trust moneys from the London Passenger Transport Board, did it not?—Yes.

374. In Exhibit PJ 16, which you will find on Page 436, there is a note which says: "Interest on £128.08m. British Transport Commission Stock issued on acquisition of London Transport Undertaking and on the London Electric Line 4.49 less interest at 3 per cent. on net balance of Trust Fund moneys taken over by British Transport Commission on the acquisition of London Passenger Transport Board after allowing for repayment of loans, it being assumed that to this extent the British Transport Commission were able to avoid issue of capital stocks". So that in Exhibit PJ 16, which is projected to Exhibit AE 6, you set off the £38.8m. against the British Transport Commission Stock, do you not?—I am not quite clear about the actual figure, but it was some figure very much of that order, yes.

375. The figure is in the note?—I do not see it.

376. No; it simply says: "Net balance of Trust Fund Moneys", but you agree that it is of that order?—It is of the order of £40m., yes.

377. And that is by setting it off against the amount of Transport Stock issued by the Commission?—Yes.

378. That is not the right way of dealing with it, is it? —Yes.

379. It is all right while interest rates are at 3 per cent., but when interest rates increase, is it not wrong simply to treat that Trust Fund as having been used to write off the amount of capital stock; you get a wrong result, because you fix the rate of interest on those moneys at 3 per cent.? —Yes, it has that effect.

380. Is that not wrong? Should you not take the actual capital stock which is issued at 3 per cent. and treat the moneys as being used to answer your capital requirements until it is exhausted?—No.

381. And credit interest on the balance of those moneys?—No, I do not think you should. On the 1st January, 1958, that money ceased to belong to London Transport and in a sense it was no longer capable of being earmarked for London Transport as distinct from the purposes of any other activity. It was merged into the Commission's general funds and for a period of time—I suspect quite a short period of time—it would operate to a reduced extent to reduce the Commission's need to borrow.

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382. Yes, exactly. The purpose of Exhibit BJ 16 and AE 6, is to take a calculation treating the London Transport Executive as a separate entity, is it not?—Insofar as you can do so, yes.

383. Yes; that was the purpose, was it not?—It was a purpose which cannot be completely achieved.

384. In order to find out what was a proper contribution for London Transport to make to Central Charges, when you are treating it as a separate entity for this purpose, ought you not therefore to take this Fund, which was a definite Fund taken over from the London Passenger Transport Board, as a separate entity?—I think not. I have given you my reasons for not agreeing with you.

385. Are your reasons not quite inconsistent with the purpose of Exhibit PJ 16 and Exhibit AE 6, which was to make a separate calculation?—Insofar as you can treat London Transport as a separate Undertaking.

386. If you do that in the way you have done it in PJ 16, and if you carried it into Exhibit AE 16, you are left with no Fund to finance capital requirements after 1958; that £38m. is not available for that purpose?—It is available to us—

387. Yes, but not so far as the calculation is concerned. So far as that is concerned, no borrowings will be charged against London Transport at the current rate of interest?—Yes.

388. Whereas if you treated this as not written off against the Transport Stock, you would not have to charge London with interest on borrowings until you had exhausted this £38m., would you?—No.

389. The result was that when the interest rates rose, on the way you did it, London was charged with interest on all the borrowings at the increased rate instead of merely losing interest at 3 per cent. on the fund as it was exhausted to meet the capital requirements; that is right, is it not?—That is the effect of doing the calculation in the way in which I have done it, yes.

390. And if you did it in the way I am suggesting is the right way, if you did not write the £38m. off against the Transport Commission Stock, you would get a lower figure for Central Charges charged against London, would you not?—That would be the result of doing the calculation in the way, yes.

391. I suggest to you that if you are making a calculation on the footing, so far as practicable, that London is a separate entity, the mode of calculation I am putting forward is the right one?—Well, I do not agree, Mr. Goff, for the reason I have given.

392. The reason you have given me is that the money was not London money, it was available for the purposes of the Commission generally?—Yes.

393. But if you are seeking to find out what London ought to pay as a separate entity, surely the money ought to be treated as London's money. Would you not agree with this?—No, I do not agree with that. I do not think that money can be put aside and earmarked or kept in some separate fund. In fact, it was not set aside, or earmarked, or put in some separate fund for the benefit of London Transport. In fact, it merged with the Commission's General Fund.

394. It came from London, did it not?—Yes.

395. If you are treating London as a separate entity in order to find out what ought to be charged to London, surely that sum ought to be treated as belonging to London, because you have got to make a notional apportionment of everything, have you not?—No. We have made an actual apportionment, an actual allocation of a very large part of the constituent part of the Central Charges. The capital issue in respect of London Transport, for example, does not involve any allocation.

396. No; but, is the Transport Commission Stock issued on the acquisition of the London Transport Undertaking an allocation, or is that Stock?—That is a known figure.

397. But your administrative charges, of course, are being apportioned?—Yes, they are apportioned.

398. And interest on borrowing is an apportionment, is it not?—No, that is a figure which is calculated on the actual amount borrowed by us for capital purposes to the extent that we have been able to finance it ourselves.

399. Borrowed for London only, or available for the Commission as a whole?—Borrowed for London.

400. My witness will put in this alternative, and he will say that, in his view, the right way to do it is to treat this as separate London moneys, but you would not accept this?—I would not accept this, no.

401. Although the purpose was to find out what ought to be charged to London?—Certainly.

402. (Mr. Goff): May the witness have Mr. Hill's Tables SWH 3 and SWH 4? (Tables SWH 3 and SWH 4 put in and handed to the Witness.) (To the Witness): You have those, have you?—Yes, they have just been given to me.

403. You see the way this table works, do you? You start with "Interest on capital obligations," and then you get "Interest on capital balances, balance in hand at beginning of year," and this is £41m. Have your tables got an explanatory note SWH 5 attached to them?—No.

404. (Mr. Goff): Can they be handed up as well? (Table SWH 5 put in and handed to the witness.)—Yes, I have it before me now.

405. Take the year 1948, column 3. The balance in hand at the beginning of the year is £41m?—I see it is put at the figure here, yes.

406. If you look at the note in SWH 5 to the column you will see how it is arrived at. It comprises the Trust Fund taken over on the acquisition of the London Passenger Transport Board after allowing for repayment of loans, £38.8m., that is the figure ...which I gave you for the Trust Fund; net current assets of the London Passenger Transport Board, £3.5m., which gives you a figure of £42.3m.; less required for working capital £1.3m., and this explains the £41m. figure with which we start. Do you follow how it is arrived at?—No, he does not explain it. It produces a sum which adds up to £41m., but what the figures mean, I do not know, and I would like to have time to look at them.

407. You know what the £38.8m. means, this is the fund taken over on the acquisition of the London Passenger Transport Board. So you understand this figure?—Yes.

408. The £3.5m. is the value of the assets taken over from the London Passenger Transport Board on its acquisition, which gives you a capital value of London's assets, treated separately, of £42.3m. Do you follow this? You have got the assets of £3½m. and you have got the Trust Fund of £38.8m.

(President): I think you are phrasing it a bit incautiously, Mr. Goff. It is only the figure on your rendering of part of the assets taken over.

409. (Mr. Goff): The current assets, yes. (To the Witness): Do you follow what the calculation is purporting to show?—Yes; I can see a figure representing the amount of the Trust Fund taken over after allowing for repayment of loans, £38.8m., and to that is added a figure of £3.5m. as representing the net current assets of the London Passenger Board.

410. That gives you a figure of liquid capital, the Trust Fund and your net current assets, of £42.3m., and then they deduct an allowance required for working capital of £1.3m.?—That is a figure I do not recognise at all.

411. That is Mr. Hill's figure of what would be required for working capital on the acquisition. He says that it was proved to be much more than enough; would you agree with that?—No.

412. What would you say the London Transport required for working capital in 1948?—I do not recollect; my memory does not go back to 1948.

413. How much to-day?—To-day? To-day the circumstances are entirely different. What we should have wanted in 1948 for working capital is a very, very different matter from what we should want to-day for

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working capital. In 1948 we had not got the Commission behind us. In 1958/60 we had got the Commission behind us ready to put forward working capital wherever we wanted it—well, when I say “whenever we wanted it”, whenever we needed to have it. There is no comparison between our needs for working capital now and our needs for working capital as the London Passenger Transport Board and as a separate undertaking.

414. You say now that you have got the Commission behind you. Are you saying you need much more, or much less?—You need much less.

415. Because you can go to the Commission for support when you require it?—Certainly.

416. Having got that out of the way, would you agree that to allow £1.3m. for working capital in 1948 is a reasonable figure?—I am surprised that it is not more, but without going through the accounts of that time. I just do not remember.

417. Would you be surprised if Mr. Hill says that events proved that £1.3m. was more than enough?—It does surprise me, yes.

418. Subject to argument as to whether the £1.3m. is an accurate figure or not, you see how we arrive at our starting figure of £41m. It is the Trust Fund, plus the current assets, less an allowance for working capital?—I see that is what has been done. I am not so clear about why it has been done.

419. It has been done in order to see how you calculate interest rates if you treat the Trust Fund of £38.8m. as not being merged in Transport Stock. That is the object of the exercise, but before starting we adjust it by adding on the £3.5m. and taking off the £1.3m.—I see that is what has been done.

420. If you look at the table you get your balance in hand of £41m. Then you get the capital expenditure in the year less internal provision, £5.39m., which reduces the balance in hand at the end of the year to £35.61m. That is an ordinary piece of arithmetic?—That appears to be arithmetic, yes.

421. Then you add on the surplus for the year which you had in 1948, which is £3.58m., and so you have got a credit balance at the end of £39.19m., as what is left out of the £41m. with which you started after meeting your capital expenditure and crediting back the surplus for the year.—Arithmetically I had no doubt it is all right, but I am not prepared to say I agree with the manner in which the table has been prepared, or the use to which it is being put.

422. But you follow how the table works and what it is purporting to show?—It is, I take it, a method of calculating the Central Charges.

423. Yes, and it is a method of treating this £38.8m. as not being merged in Transport Stock?—We did not treat it as having been merged in Transport Stock either.

424. You treated it as having been set off against Transport Stock, did you not?—Yes.

425. You treated it having no separate existence?—In the Commission's hands, no.

426. The result of this calculation in SWH 3 is that the fund does not become exhausted until 1960, if you go on SWH 4. SWH 3 carries you down to 1957, and SWH 4 starts with the aggregate at December, 1957, and then carries on from 1958 to 1962, as you observe?—Yes.

427. But you do not get a debit balance until 1960. Do you follow that?—I see that is what is shown on this statement.

428. In 1960 the rate of interest being charged was 6 per cent?—Yes.

429. So that down to 1960, if you calculate it in this way, all the Commission is losing is interest at 3 per cent. on this diminishing balance of the £41 m. until you get down to 1960; that it right, is it not?—I do not know whether it is right yet, because I have not had a chance of examining this table. That is the mathematical consequence of what has been done.

430. That is the mathematical consequence of this table, that if you treat this £41m. as a separate fund the Transport Executive is being debited at 3 per cent on a higher sum of Transport Stock, because you have not reduced it by the £38m., and is losing interest at 3 per cent on the diminishing balance of the £41m. That is right, is it not?—I think so, yes. What I would also point out is that Mr. Hill has dealt with some assets that were taken over by the London Transport Executive in what appears to be the reverse fashion.

431. To what are you referring?—I am referring to the second note of the notes to the table. There is £12.2m. of assets taken over by London Transport which Mr. Hill has included in his opening charge for interest on capital obligations.

432. Are you referring to the note to column 2?—Yes.

433. What is your criticism of that?—I wondered why it is not considered that that £12.2m. had to come out of the £41m.

434. These lines were transferred with effect from the same date as the date of Nationalisation and they were bought for stock and not for cash; they were bought for this £12.2m. stock which is, therefore, treated rightly in that statement.

435. (President): Is it? I am puzzled by that. I think—and Mr. Evershed can correct me if I am wrong—that what Mr. Evershed is saying is this: We, the London Transport, got in addition to the LPTB assets £12m. worth of main line assets for which the main lines have been paid in Transport Stock, and Mr. Evershed's suggestion is that if you are going to treat the London Transport Executive as having £40m. in their pocket, you ought to treat the £12m. as being paid out of that at the outset in order to acquire these main line assets. (To the witness): Is that what you mean?—That is what I was trying to say.

436. (Mr. Goff): Is not the answer to that that they were not acquired for cash, they were acquired for Stock and that is in the item of Stock already, £128m. British Transport Commission Stock? Is it not perfectly consistent? This £12.2m. of main lines was acquired for Stock and not for cash, was it not?

(Mr. Fay): By whom?

437. (Mr. Goff): By the Commission—Yes, I think so.

438. And immediately transferred to the London Transport Executive on the same date?—Yes.

439. Therefore, being a stock transaction, it is perfectly consistent and correct, is it not, to add on the interest on the stock issued on the acquisition of the main line Railway Companies in arriving at the interest charge dealt with in the note to which you referred and not to treat it as a cash transaction as reducing the £41m.?—Perfectly consistent as far as the Commission as a whole is concerned. I am not clear whether it is consistent when you are trying, as you are trying, to look at London Transport as a separate undertaking.

440. Is it not perfectly consistent? That was acquired for stock, and what we have done is to debit London with the interest on the appropriate part of the stock. We have debited London with the interest on that stock which was used to acquire those assets. That is perfectly consistent and perfectly correct when treating London as a separate entity is it not?—Those assets, I suggest, could have been bought the day before, i.e. on the 31st December, 1947, for cash.

441. They could have been, but they were not. What in fact happened was that it was a stock transaction, is it not?—It was a stock transaction by the Commission. The Commission issued stock to acquire the assets in various joint lines.

442. Is it not perfectly right, when you are treating London as a separate entity, not to consider what could have happened but what did, in fact, happen?—That is what I wanted to do with the surplus fund. I wanted to consider what in fact happened.

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443. What in fact happened was that was acquired as a fund.

(*President*): In point of fact there was no stock issued in respect of the particular bits of the main-line railway undertaking.

444. (*Mr. Goff*): No, it is an allocation, certainly; but it was a stock transaction.—Yes.

445. And, therefore, we debit interest on the appropriate part of the stock and you treat London as separate. London has acquired those lines and is, therefore, charged with interest on an appropriate part of the stock. What is wrong with that?—I am not sure there is anything wrong with it.

446. You criticised it.—Quite frankly, I have hardly had time to form an opinion as to the rightness or otherwise of that statement, having had it put in front of me and my being examined on it at rather short notice.

447. No doubt before we have finished you will have an opportunity of looking at them during the adjournment.—It would be helpful to me if I could have some time to consider these documents.

(*Mr. Goff*): I wonder if it would help if, having put it to the witness, I did not pursue my cross-examination on it at the moment in detail but just explained what I am submitting, and then he can have an opportunity of considering it over the adjournment and I can pursue it next time?

(*President*): I think that is much the more convenient course for the witness and the more convenient course for us. You see, Mr. Goff, even after one has been listening to this kind of exercise on a considerable number of occasions, it is a very difficult conception to treat a thing which has not been separate for all purposes as if it had been separate for all purposes since January 1, 1948.

(*Mr. Goff*): I know, Sir.

(*President*): It is a hypothetical tenet on an extremely hypothetical hypothesis.

(*Mr. Goff*): It is an extremely difficult exercise, but it has got to be done to the best of one's ability, and, of course, we do not accept the way in which it has been done.

(*President*): You will remember that Mr. James's tables were put forward by Mr. James, not as being what he called the approach he would make himself to this problem, but as being the sort of tables he would put in if he had thought that the specific approach were the right approach.

(*Mr. Goff*): Yes. What happened there was that the Commission put forward, did they not, an apportionment on a general view of the size of the assets, and I think Mr. Lawson put up the specific approach.

(*President*): Mr. Lawson put in a series of tables and Mr. Hill put in a series of tables.

(*Mr. Goff*): Mr. Hill was putting in tables based on a comparison of the capital invested and then, as a result of that, PJ 16 was put forward.

(*President*): That is so, but never as being the Commission's choice or Mr. James's choice. It was their second string. Whether they were right or wrong I do not know at the moment.

448. (*Mr. Goff*): But, of course, they have put it forward again as an alternative in the present Application. (*To the Witness*): Mr. Evershed, I will postpone questioning you at length upon these tables, but I had better indicate the points I am making so that you will have an opportunity of considering them. The first point I am seeking to make is that the £38.8m. trust fund, adjusted in accordance with the note in SWH 5, ought to be treated, not as reducing the amount of the Transport Stock, as is done in PJ 16, but as being a separately existing fund for the benefit of London. If you do that the result is that whilst interest rates remain at 3 per cent it does not matter, it does not make any difference, but when the interest rates rise it does make a difference, because if you have got that separate fund all that happens is that London loses interest at 3 per cent on the fund as it is

used up, whereas if the fund is treated as disappearing from the statement, as it does in the end in PJ 16, then London is charged with interest at a rising rate on the capital expenditure. So once the interest rate ceases to be 3 per cent, then you get a difference according to your adoption of PJ 16 or your adoption of SWH 3?—Yes.

(*Mr. Goff*): Then in order to satisfy the Tribunal's natural expectations and so that Mr. Evershed may see them over the adjournment, I will now produce the missing Exhibit SWH 1 and SWH 2.

(*President*): The end of it is a difference of £0.5m. between the Commission's figures and Mr. Hill's figure for 1960?

449. (*Mr. Goff*): Yes, that, of course, is important to us on the proposals which I am going to put later for charging single-fare stages in half-miles. (*To the Witness*): Have you been handed SWH 1?—Yes.

450. SWH 1 is a continuation of SWH 4 at page 219 of the previous transcript. Do you follow that?—Yes.

451. SWH 2 is a continuation of SWH 5 at page 220?—Yes.

452. SWH 4 and SWH 5 were the method of apportionment which Mr. Hill advanced at the previous Inquiry?—Yes. SWH 1 seems to be the natural descendant of the former SWH 4.

453. It brings it down to 1959. SWH 2 does the same for SWH 5?—Yes.

454. (*Mr. Goff*): In SWH 2, the headnote between the "A" and "B" is: "This table is a continuation of Table SWH 4 as printed on Minutes, Charges Scheme 1958, page 280." There is a clerical error there, it should be SWH 5, and I will correct that so that there is no misunderstanding about it. (*To the Witness*): To indicate the nature of the criticisms that I am going to make, on PJ 16 at page 438, column 13, there is: "Share of 10 per cent. of Central Expenses of Commission." Mr. Hill is going to say that he cannot agree those figures as 10 per cent, and that the correct figures are in column 9 of his SWH 3. So I shall want to ask you about that; have you made a note of it?—Yes.

455. When you turn from that to the continuation in AE 6, which has the Central Expenses in column 12, it does not give a percentage in the heading you observe?—No, it does not.

456. Is that calculated at the same, or a different percentage?—It is not calculated throughout at any percentage. We have eliminated certain items of the Commission's Central Charges which seem to us have no application to London Transport. We have brought in certain of the Commission's Central Charges which seem to us to apply wholly and solely to London Transport at 100 per cent, and we have apportioned the remainder of the Commission's Central Charges as to 10 per cent. to London Transport.

456(a). So you have used the same percentage for general items, but you have eliminated some altogether and added others back?—We have eliminated some altogether, and we have brought the whole of other expenses in to charge.

457. Are you in a position to supply particulars as to how that is arrived at?—because Mr. Hill cannot reconcile those figures. That would be the £5.26m., the £0.46m. and the £0.65m.

(*President*): That is going to be rather tedious. Had it not better be done by reference to the ordinary form of accounts?

458. (*The Witness*): That can be referred to the accounts, Sir, yes.

459. (*President*): It can be referred to the accounts for two years, but for 1961 and 1962 it cannot, of course. It is IV-6—Yes, Sir. If I may, I will take 1959 as the model, because I have got the 1959 Accounts. It is on page 23, IV-6.

460. (*Mr. Goff*): That is to explain how you arrive at the £0.65m. in column 12 of Exhibit AE 6?—Yes.

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461. Will you tell us which items had been taken out from the Table IV-6 at page 23?—I have taken out entirely the fees of members of the Area Boards.

462. That is £21,719?—Yes. And I have taken out for this purpose the salaries, etc., of the members of the London Transport Executive.

463. You have taken that out entirely?—For this purpose, at this stage.

464. That is £31,755?—Yes. That leaves you with a matter of £1,764,000, of which I have taken 10 per cent.

465. That would give you £176,400?—Yes.

(President): Then you have to go to IV-5?

466. (The Witness): Yes. The next stage in this calculation, if you want me to go through it in detail, is to add back the salaries, etc., of the members of the London Transport Executive which I took out first.

467. (Mr. Goff): So you put back the £31,000?—I add back the whole lot. Then one must go to Table IV-5.

468. What have you taken there?—I have taken there the third item, capital redemption; the next item, expenses of management; the next item, subscriptions and donations; the next item, expenses of the Transport Consultative Committees, and the next item, expenses of the Transport Tribunal.

469. (President): That is rather cheap, is it not?—Very—finally, audit fees, £6,000. The group of expenses adds up to £3,590,000, of which I have taken 10 per cent.

470. (Mr. Goff): You add that to the £208,155 which we got from the other sum?—I am sorry, I do not recognise the £208,000.

471. On Table IV-6 I thought we took off the sum £21,719 and the £31,755 at the bottom of the table.—Yes.

472. That gave us £1,764,000?—Yes, of which we have taken 10 per cent.

473. Which is £176,400?—Yes.

474. Then you add on again the £31,755?—Yes.

475. That comes to £208,155?—If you add them up at that point, yes.

476. I was doing what you told me, I thought—I had not added them up at that point.

477. Having got your £208,155 from Table IV-6 and my £3,590,000 from Table IV-5, you add those together, do you?—Yes.

(Mr. Fay): It is £359,000, not £3,590,000.

(The Witness): Yes; you take 10 per cent of it.

478. (Mr. Goff): That is not the end of the calculation?—No. It is then necessary, if you want to go through this in detail, to go to Statement IV-7, where there is an item, the penultimate item, of £60,000, of which I have included the whole because it is an expense which is peculiarly London Transport.

479. That is amounts payable under guarantees of interest on Central London Guaranteed Stock?—Yes.

480. Does that complete the calculation?—Oh, no, there are a number of other items. On the same table there is a matter of £1,107,000 for interest in respect of British Transport Stock Redemption Fund Account, and I have taken 10 per cent. of that. I am afraid these come from very many tables, I cannot make it any simpler. On Table IV-9 there is a charge of £564,000 for the amortisation of discount on the issue of British Transport Stock, of which, again, we have taken 10 per cent. Finally, in IV-10 we have an item going the other way, a credit of £1,557,000, of which we have again taken 10 per cent. That, I think, you will find adds up to £0.65m.

481. That is the figure in column 12 of AE 6 for 1959?—Yes, and I have taken the same figure for 1960, 1961 and 1962.

482. 1958 and 1957, presumably, were calculated in the same sort of way as you have just been indicating?—The same sort of way, yes.

483. (President): I am not certain. Is that so, Mr. Evershed? Mr. James's table seems to show—unless it is corrected in a note—that for the central expenses he has taken 10 per cent right through. Perhaps that is a short-hand way of putting it?—Yes, that is what I meant by saying "the same sort of way". I do not think it was done quite so meticulously as it has been done now, but I do not think the answer would have been very different if it had.

484. (Mr. Goff): Mr. James's table PJ 16, right down to 1958, was simply 10 per cent, was it not?—That I believe is simply 10 per cent.

485. In AE 6 you have gone back over the ground as far as 1958 is concerned and got £0.64m., and that is arrived at on the lines you have just been explaining.—Yes. The reason for that is that 1958 contained a number of estimates and we have on this occasion substituted for estimates actual figures insofar as 1958 is concerned.

486. (President): Mr. James's table at page 438 at the previous Inquiry estimated 1958 to be £0.70m.—Yes.

487. And you have reduced it to £0.64m.?—That is so.

488. (Mr. Goff): That estimate was on a simple 10 per cent basis, the same as he was working on throughout.—Yes.

489. In your table AE 6 your first item, total 1948/59, that is simply the total taken from PJ 16 and then for 1958 you have worked it out afresh on the lines which you have just been describing?—Yes, that is quite true. There is a discrepancy, if you like; but there was very little difference between us on the last occasion as to Central Charges and I have not re-opened the Central Charges prior to 1958.

490. You observe that in column 9 of SWH 3 we say that on a 10 per cent basis the figures should be as stated in column 9, which are lower figures than you get in column 13 of PJ 16 from 1948 down to 1957.—Yes, slightly.

491. That is another matter on which I will cross-examine you when you have had an opportunity of looking at these tables with which you have only just been supplied.—Certainly.

(Mr. Fay): May we know what sources Mr. Hill has taken for his column 9 as central expenses?

(Mr. Goff): I will give the witness a table showing that, which he will also have an opportunity of considering.

(President): There is an explanation of Mr. Hill's method, in general terms, in the note to SWH 5.

(Mr. Goff): There is indeed, Sir. The witness will have that and he will also have another document.

(President): It is 10 per cent of all the items except those which have not been taken into account at all.

(Mr. Goff): Yes. There are two more tables. The shorter one will be SWH 6 and the longer one will be SWH 7. SWH 6 is the table which explains the items in our column 9, and SWH 7 is for the reconciliation with the accounts, if required.

(President): I think that will be enough for today.

(Adjourned to Wednesday, 15th February, 1961 at 10.30)

13 February, 1961]

[Continued

EXHIBIT BH 30

LONDON TRANSPORT EXECUTIVE
ESTIMATED PASSENGER TRAFFIC RECEIPTS (AFTER CLEARANCES)—YEAR 1960
COMPARED WITH BUDGET
ALL SERVICES

Week Ended	Weekly Figures				Cumulative Figures			
	Budget	Actual Receipts	Deviation from Budget		Budget	Actual Receipts	Deviation from Budget	
			Amount	Per cent			Amount	Per cent
	£000	£000	£000	%	£000	£000	£000	%
Jan. 10	1,531	1,583	+ 52	+ 3.4	1,531	1,583	+ 52	+ 3.4
17	1,515	1,529	+ 14	+ .9	3,046	3,112	+ 66	+ 2.2
24	1,511	1,534	+ 23	+ 1.5	4,557	4,646	+ 89	+ 2.0
31	1,497	1,552	+ 55	+ 3.7	6,054	6,198	+ 144	+ 2.4
Feb. 7	1,488	1,523	+ 35	+ 2.4	7,542	7,721	+ 179	+ 2.4
14	1,491	1,503	+ 12	+ .8	9,033	9,224	+ 191	+ 2.1
21	1,507	1,506	- 1	- .1	10,540	10,730	+ 190	+ 1.8
28	1,532	1,567	+ 35	+ 2.3	12,072	12,297	+ 225	+ 1.9
Mar. 6	1,551	1,576	+ 25	+ 1.6	13,623	13,873	+ 250	+ 1.8
13	1,561	1,546	- 15	- 1.0	15,184	15,419	+ 235	+ 1.5
20	1,567	1,564	- 3	- .2	16,751	16,983	+ 232	+ 1.4
27	1,570	1,560	- 10	- .6	18,321	18,543	+ 222	+ 1.2
Apl. 3	1,576	1,541	- 35	- 2.2	19,897	20,084	+ 187	+ .9
10	1,580	1,576	- 4	- .3	21,477	21,660	+ 183	+ .9
17 Good Friday	1,534	1,479	- 55	- 3.6	23,011	23,139	+ 128	+ .6
24 Easter Monday	1,547	1,538	- 9	- .6	24,558	24,677	+ 119	+ .5
May 1	1,594	1,589	- 5	- .3	26,152	26,266	+ 114	+ .4
8	1,608	1,636	+ 28	+ 1.7	27,760	27,902	+ 142	+ .5
15	1,659	1,668	+ 9	+ .5	29,419	29,570	+ 151	+ .5
22	1,658	1,597	- 61	- 3.7	31,077	31,167	+ 90	+ .3
29	1,654	1,671	+ 17	+ 1.0	32,731	32,838	+ 107	+ .3
June 5	1,655	1,658	+ 3	+ .2	34,386	34,496	+ 110	+ .3
12 Whit Monday	1,630	1,569	- 61	- 3.7	36,016	36,065	+ 49	+ .1
19	1,637	1,623	- 14	- .9	37,653	37,688	+ 35	+ .1
26	1,637	1,618	- 19	- 1.2	39,290	39,306	+ 16	—
July 3	1,640	1,642	+ 2	+ .1	40,930	40,948	+ 18	—
10	1,620	1,617	- 3	- .2	42,550	42,565	+ 15	—
17	1,632	1,588	- 44	- 2.7	44,182	44,153	- 29	- .1
24	1,634	1,610	- 24	- 1.5	45,816	45,763	- 53	- .1
31	1,647	1,633	- 14	- .9	47,463	47,396	- 67	- .1
Aug. 7 August Monday	1,602	1,548	- 54	- 3.4	49,065	48,944	- 121	- .2
14	1,595	1,568	- 27	- 1.7	50,660	50,512	- 148	- .3
21	1,598	1,594	- 4	- .3	52,258	52,106	- 152	- .3
28	1,612	1,607	- 5	- .3	53,870	53,713	- 157	- .3
Sept. 4	1,614	1,611	- 3	- .2	55,484	55,324	- 160	- .3
11	1,620	1,639	+ 19	+ 1.2	57,104	56,963	- 141	- .2
18	1,631	1,636	+ 5	+ .3	58,735	58,599	- 136	- .2
25	1,630	1,632	+ 2	+ .1	60,365	60,231	- 134	- .2
Oct. 2	1,623	1,636	+ 13	+ .8	61,988	61,867	- 121	- .2
9	1,616	1,623	+ 7	+ .4	63,604	63,490	- 114	- .2
16	1,609	1,621	+ 12	+ .7	65,213	65,111	- 102	- .2
23	1,620	1,619	- 1	- .1	66,833	66,730	- 103	- .2
30	1,654	1,669	+ 15	+ .9	68,487	68,399	- 88	- .1
Nov. 6	1,606	1,643	+ 37	+ 2.3	70,093	70,042	- 51	- .1
13	1,579	1,627	+ 48	+ 3.0	71,672	71,669	- 3	—
20	1,591	1,629	+ 38	+ 2.4	73,263	73,298	+ 35	—
27	1,619	1,618	- 1	- .1	74,882	74,916	+ 34	—
Dec. 4	1,659	1,658	- 1	- .1	76,541	76,574	+ 33	—
11	1,682	1,689	+ 7	+ .4	78,223	78,263	+ 40	+ .1
18	1,680	1,682	+ 2	+ .1	79,903	79,945	+ 42	+ .1
25	1,612	1,559	- 53	- 3.3	81,515	81,504	- 11	—
Jan. 1 1961 } Christmas	1,392	1,286	- 106	- 7.6	82,907	82,790	- 117	- .1
1st, 2nd & 3rd Jan., 1960	611	573	- 38	- 6.2	83,518	83,363	- 155	- .2
Less: 1 day—1st Jan., 1961	118	104	- 14	- 11.9	83,400	83,259	- 141	- .2
Total 1960	83,400	(say) 83,300	(say) -100	- .1	83,400	(say) 83,300	(say) -100	- .1

Note: Revision of fares 8th May—budget increased by £1,650,000 to £83,400,000

13 February, 1961]

[Continued

EXHIBIT BH 31

LONDON TRANSPORT EXECUTIVE
ESTIMATED PASSENGER TRAFFIC RECEIPTS (AFTER CLEARANCES)—YEAR 1961
COMPARED WITH BUDGET
ALL SERVICES

Week Ended	Weekly Figures				Cumulative Figures			
	Budget	Actual Receipts	Deviation from Budget		Budget	Actual Receipts	Deviation from Budget	
			Amount	Per cent			Amount	Per cent
			£000	£000			£000	%
Jan. 8	1,600	1,608	+ 8	+ .5	1,600	1,608	+ 8	+ .5
15	1,587	1,595	+ 8	+ .5	3,187	3,203	+ 16	+ .5
22	1,589	1,624	+ 35	+ 2.2	4,776	4,827	+ 51	+ 1.1
29	1,590	1,551	— 39	— 2.5	6,366	6,378	+ 12	+ .2
Feb. 5	1,600				7,966			
12	1,609				9,575			
19	1,619				11,194			
26	1,649				12,843			
Mar. 5	1,661				14,504			
12	1,668				16,172			
19	1,674				17,846			
26	1,664				19,510			
Apl. 2 Good Friday	1,569				21,079			
9 Easter Monday	1,618				22,697			
16	1,659				24,356			
23	1,680				26,036			
30	1,694				27,730			
May 7	1,700				29,430			
14	1,705				31,135			
21	1,691				32,826			
28 Whit Monday	1,621				34,447			
June 4	1,692				36,139			
11	1,694				37,833			
18	1,693				39,526			
25	1,692				41,218			
July 2	1,699				42,917			
9	1,690				44,607			
16	1,696				46,303			
23					47,999			
30	1,691				49,690			
Aug. 6	1,673				51,363			
13 August Monday	1,608				52,971			
20	1,666				54,637			
27	1,689				56,326			
Sep. 3	1,694				58,020			
10	1,704				59,724			
17	1,709				61,433			
24	1,709				63,142			
Oct. 1	1,707				64,849			
8	1,700				66,549			
15	1,697				68,246			
22	1,699				69,945			
29	1,740				71,685			
Nov. 5	1,707				73,392			
12	1,699				75,091			
19	1,705				76,796			
26	1,707				78,503			
Dec. 3	1,752				80,255			
10	1,781				82,036			
17	1,782				83,818			
24	1,746				85,564			
31 Christmas	1,232				86,796			
Add : 1 day—1st Jan.	104				86,900			
TOTAL	86,900				86,900			

Note: Fares revision—15th January, 1961

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